# HSBC Latin America Holdings (UK) Limited

**Registration No: 1475009**

**Annual Report and Financial Statements for the year ended 31 December 2020**

HSBC

**HSBC Latin America Holdings (UK) Limited**

# Annual Report and Financial Statements for the year ended 31 December 2020

## Contents

# Strategic Report

## Principal activities

HSBC Latin America Holdings (UK) Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares. Its trading address is 8 Canada Square, London E14 5HQ.

During the year ended 31 December 2020, HSBC Latin America Holdings (UK) Limited continued to be an investment holding company.

## Review of the Company's business

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

The reserves available for distribution as at 31 December 2020 were $3,054m (2019: $3,061m).

No Dividends were declared and paid during the year (2019: Nil).

## Performance

The performance and position of the Company for the year ended 31 December 2020 and the state of the Company's financial affairs at that date are set out on pages 7 to 25.

The net asset value of the Company as at 31 December 2020 amounts to $5,837m (2019: $5,845m).

The results of the Company show a loss before tax of $(6)m for the year (2019: profit before tax $243m). The decrease in 2020 profits are primarily due to decline in dividends received during the year of $24m (2019: $285m).

The Company received the following dividends from other group undertakings:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Dividends from ordinary shares** | | |
| Grupo Financiero HSBC. S.A. de C.V | **17,862** | 237,018 |
| HSBC Latin America B.V. | **–** | 30,000 |
| HSBC Bank (Uruguay) S.A. | **3,000** | – |
| HSBC Inversiones S.A. | **–** | 10,716 |
| HSBC Brasil Holding S.A. | **2,714** | 6,820 |
| | **23,576** | 284,554 |

## Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As a Group, HSBC considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

As a non-trading, intermediate holding company, the principal stakeholder of the Company is the Company's parent entity. No decisions were taken by the Board during the year other than those of a routine nature.

## Key performance indicators

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

## Principal risks and uncertainties

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 24 on the financial statements.

The Company's exposures to liquidity and market risks are limited due to the nature of its business, which is predominantly investing in or financing of group companies. These transactions are generally funded by way of equity obtained from the parent Company.

On behalf of the Board

B Robertson
Director

30 July 2021

Registered Office
8 Canada Square
London E14 5HQ

# Report of the Directors

## 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 | Resigned |
|---|---|---|
| B Robertson (Chairman and Non-executive) | 1 January 2014 | |
| M A Colin | 18 September 2017 | 4 January 2021 |
| I MacKinnon | 18 September 2017 | 8 February 2021 |
| P C T Maia | 1 July 2015 | 31 March 2021 |
| S C Moss | 1 May 2020 | 26 March 2021 |
| M D Spurling (Non-Executive) | 6 July 2016 | |
| E D Ancona (Non-Executive) | 6 December 2012 | |
| N B F Fishwick (Non-Executive) | 6 July 2016 | |
| G A McIssac (Non-Executive) | 12 June 2012 | |
| N B Blyth | 5 December 2019 | |
| J A A Gama | 1 April 2021 | |
| J A Marotta | 1 April 2021 | |

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers 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 and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

### Non-executive directors

Non-executive directors are not employees of the Company and do not participate in the daily management of the Company; they bring an independent perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the Group's risk profile and the reporting of performance.

## Dividends

No Dividends were declared and paid during the year (2019: Nil).

## Significant events since the end of the financial year

In April 2021, the Company paid $31m to settle indemnity guarantee provision of $48m.

In June 2021, the Company received dividend of $13.6m from HSBC Inversiones S.A.

In July 2021, the Company received dividend of $246m from HSBC Mexico and paid a Dividend of $246m to HSBC Holdings plc.

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.

These considerations reflect the increasing uncertainty that the global Covid-19 pandemic has had on HSBC operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

## Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 24 of the Notes on the financial statements.

## Capital management

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

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

## Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP ('PwC') will therefore continue in office.

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the financial statements comply with the Companies Act 2006.

## Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

B Robertson
Director

30 July 2021

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

# Independent auditors' report to the members of HSBC Latin America Holdings (UK) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, HSBC Latin America Holdings (UK) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- ave been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis of opinion

We conducted our audit in accordance with International Standards of Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

*Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of* this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries posted that have greater risk of fraud such as those backdated for over 30 days, posted by senior management, prepared and approved by the same users or those posted outside normal working practices. We also incorporated an element of unpredictability into our testing.
- Considering management bias relating to key judgements and assumptions used by management for developing accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Timothy Lawrence

Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 July 2021

# Financial statements

## Income statement for the year ended 31 December 2020

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Interest income | | **1,659** | 19,632 |
| Interest expense | | **–** | (14,340) |
| **Net interest income** | | **1,659** | 5,292 |
| Net loss from financial instruments held for trading or managed on a fair value basis | 3 | **(475)** | (1,275) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | **6,600** | 31,674 |
| Gain on disposal from investments in subsidiaries | 18 | **–** | 622 |
| Dividend income | | **23,576** | 284,554 |
| **Net operating income before loan impairment charges and other credit risk provision** | | **31,360** | 320,867 |
| Change in expected credit losses and other credit impairment charges | 24 | **(3,889)** | (1,700) |
| **Net operating income** | | **27,471** | 319,167 |
| General and administrative expenses | 4 | **(33,327)** | (76,128) |
| Impairment of intangible assets | 19 | **(101)** | (15) |
| **Total operating expenses** | | **(33,428)** | (76,143) |
| **(Loss)/profit before tax** | | **(5,957)** | 243,024 |
| Tax expense | 8 | **(1,207)** | (669) |
| **(Loss)/profit for the year** | | **(7,164)** | 242,355 |

## Statement of comprehensive income for the year ended 31 December 2020

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year shown above (2019: nil).

## Balance sheet at 31 December 2020
## Registration No: 1475009

| | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 10 | **214,546** | 298,158 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 17 | **122,041** | 121,684 |
| Loans and advances to banks | 14 | **58,146** | 61,847 |
| Loans and advances to other group undertakings | 13 | **17,000** | 17,000 |
| Financial investments | 15 | **4** | 3 |
| Prepayments, accrued income and other assets | 16 | **5,711** | 4,655 |
| Current tax assets | | **3,940** | 2,207 |
| Investments in subsidiaries | 18 | **5,521,445** | 5,423,693 |
| Intangible assets | 19 | **5,441** | 8,670 |
| **Total assets** | | **5,948,274** | 5,937,917 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Accruals, deferred income and other liabilities | 20 | **36,879** | 21,381 |
| Provisions | 21 | **72,651** | 70,830 |
| Deferred tax liabilities | 9 | **1,338** | 1,136 |
| **Total liabilities** | | **110,868** | 93,347 |
| **Equity** | | | |
| Called up share capital[1] | 23 | **—** | — |
| Share premium account | | **2,283,533** | 2,283,533 |
| Other reserves | | **500,000** | 500,000 |
| Retained earnings | | **3,053,873** | 3,061,037 |
| **Total equity** | | **5,837,406** | 5,844,570 |
| **Total liabilities and equity** | | **5,948,274** | 5,937,917 |

1 *Called up share capital is $168 (2019: $168) but has been rounded down to nil above, as all balances are in $'000s. See Note 23 for further details.*

The financial statements and its accompanying notes on pages 11 to 25 were approved by the Board of Directors on 30 July 2021 and signed on its behalf by:

B Robertson 30/07/2021 11:42 a. m.
Director

## Statement of cash flows for the year ended 31 December 2020

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit before tax** | | **(5,957)** | 243,024 |
| **Adjustments for:** | | | |
| Non-cash items included in loss before tax | *10* | **2,872** | (21,608) |
| Change in operating assets | *10* | **2,645** | (6,001) |
| Change in operating liabilities | *10* | **17,319** | 27,018 |
| Tax (paid)/credit received | | **(2,738)** | 2,693 |
| **Net cash generated from operating activities** | | **14,141** | 245,126 |
| **Cash flows from investing activities** | | | |
| Purchase of financial investments | | **(1)** | – |
| Increase in investment in subsidiary | | **(97,752)** | (40,000) |
| Net loans and advances from other group undertakings | | **–** | 490,782 |
| Proceeds from reduced investment in subsidiaries | | **–** | 14,061 |
| **Net cash (used in)/generated from investing activities** | | **(97,753)** | 464,843 |
| **Cash flows from financing activities** | | | |
| Loans from/(repayments to) other group undertakings | | **–** | (500,402) |
| Loans and advances to banks | | **–** | (61,847) |
| **Net cash generated from/(used in) financing activities** | | **–** | (562,249) |
| Net (decrease)/increase in cash and cash equivalents | | **(83,612)** | 147,720 |
| Cash and cash equivalents brought forward | | **298,158** | 150,438 |
| **Cash and cash equivalents carried forward** | *10* | **214,546** | 298,158 |

## Statement of changes in equity for the year ended 31 December 2020

| | | | | Other reserves | |
|---|---|---|---|---|---|
| | Called up share capital | Share Premium | Retained earnings | Capital contribution reserve | Total equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 01 Jan 2020** | **–** | **2,283,533** | **3,061,037** | **500,000** | **5,844,570** |
| Loss for the year | – | – | (7,164) | – | (7,164) |
| **Total comprehensive (expense)/income for the year** | **–** | **–** | **(7,164)** | **–** | **(7,164)** |
| **At 31 Dec 2020** | **–** | **2,283,533** | **3,053,873** | **500,000** | **5,837,406** |

| | | | | Other reserves | |
|---|---|---|---|---|---|
| | Called up share capital | Share Premium | Retained earnings | Capital contribution reserve | Total equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| At 01 Jan 2019 | – | 2,283,533 | 2,818,682 | 500,000 | 5,602,215 |
| Profit for the year | – | – | 242,355 | – | 242,355 |
| Total comprehensive income for the year | – | – | 242,355 | – | 242,355 |
| At 31 Dec 2019 | – | 2,283,533 | 3,061,037 | 500,000 | 5,844,570 |

Called up share capital is $168 (2019: $168) (Note 23) but has been rounded down to nil above, as all balances are in $'000.

### Capital contribution reserve

The capital contribution reserve of $500m was gifted to the Company on 30 July 2018 by HSBC Holdings plc.

### Dividend per share

Dividend per share for the year were Nil (2019: Nil).

Equity is wholly attributable to equity shareholders of HSBC Latin America Holdings (UK) Limited.

# Notes on the financial statements

## 1 Basis of preparation and significant accounting policies

### 1.1 Basis of preparation

#### (a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. 'Interest Rate Benchmark Reform – Phase 2' which amends IFRS 9, IAS 39 'Financial Instruments', IFRS 7 'Financial Instruments' was adopted for use in the UK and EU in January 2021 and has been early adopted as set out below. Therefore, there were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements.

Standards adopted during the year ended 31 December 2020

*IFRS adoptions*

Interest Rate Benchmark Reform - Phase 2

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform.

Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

These amendments apply from 1 January 2021 with early adoption permitted. Company has adopted the amendments from 1 January 2020 and has made the additional disclosures as required by the amendments

#### (b) Future accounting developments

Minor amendments to IFRSs

The IASB has not published any minor amendments effective from 1 January 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

New IFRSs

There are no new IFRSs published by the IASB effective from 1 January 2021 that will have an impact on the financial statements of the Company when adopted.

#### (c) Foreign currencies

The functional currency of the Company is US dollars, which is also the presentational currency of the financial statements of the Company. Unless otherwise specified, all $ symbols represent US dollars.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, 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.

#### (d) Presentation of information

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

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

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

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

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

Management's selection of the Company's accounting policies that 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 have 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, capital requirements and capital resources. These considerations reflect the increasing uncertainty that the global Covid-19 pandemic has had on HSBC operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity

## 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.

### (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.

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 |
|---|---|
| • 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 | • 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<br>• 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<br>• Key assumptions used in estimating impairment in subsidiaries are described in Note 19 |

### (c) Valuation of financial instruments

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

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

### (d) Financial instruments measured at amortised cost

Loans and advances to other group undertakings

Loans and advances to other group undertakings are those that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

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.

### (e) Equity securities measured at fair value with fair value movement presented in OCI

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where the Company holds the investments other than to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise equity securities are measured at fair value through profit or loss (except for dividend income which is recognised in profit or loss).

### (f) Impairment of amortised cost and FVOCI financial assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

All of the Company's exposures are with other HSBC group undertakings. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the group company's customer risk rating ('CRR'). The CRR of group companies have been virtually the same over the past few years, therefore the exposures are in stage 1. No ECL is recognised as no loss was expected for HSBC group undertakings.

Further details can be found in the ultimate parent HSBC Holdings plc Annual Report and Accounts 2020 note 1.2 (i).

### (g) Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

Financial assets in this category primarily relate to loans and advances. These are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- where the contractual cash flows of the asset fail Solely Payments of Principal and Interest;
- the use of the designation removes or significantly reduces an accounting mismatch;

Designated loans and advances assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Subsequent changes in fair values are recognised in the income statement in 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'.

### (h) Employee compensation and benefits

Share-based payments

The Company enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

### (i) 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.

### (j) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Critical accounting estimates and judgements

The recognition and measurement of provisions requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

| Judgements | Estimates |
|---|---|
| • Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations<br>• Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes | • Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved |

Contingent liabilities, contractual commitments and guarantees

*Contingent liabilities*

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

### (k) Intangible assets

Intangible assets that have a finite useful life are stated at cost less amortisation and accumulated impairment losses and are amortised over their estimated useful lives.

Intangible assets include internally developed computer software.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete development. The capitalised cost of internally developed software includes all costs directly attributable to developing the software, and is amortised over its useful economic life. Borrowing costs are not included in the capitalised costs of intangible assets. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Assets are subject to regular impairment reviews which compare the carrying value to the expected value in use. Any impairment losses are recognised in the income statement.

Amortisation does not commence until the asset is brought into operational use. Amortisation of intangible assets is recognised in the income statement in 'General and administrative expenses' on a straight-line basis over three to five years from the date that intangible assets are available for use.

### (l) 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.

### (m) 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 Net income from financial instruments measured at fair value through profit or loss

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 6,600 | 31,674 |

## 3 Net loss from financial instruments held for trading or managed on a fair value basis

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Foreign exchange loss | (475) | (1,275) |

## 4 General and administrative expenses

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Recharges from HSBC undertakings | **24,721** | 37,700 |
| Amortisation of intangible assets | **3,368** | 3,113 |
| Other administrative expenses[1] | **5,238** | 35,315 |
| **Year ended 31 Dec** | **33,327** | 76,128 |

1 *Other administrative expenses include net provision charges made during the year. See Note 21 for further details.*

## 5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2019: nil).

## 6 Directors' emoluments

The aggregate emoluments of the Directors of the Company, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Fees[1] | **543** | 488 |

1 *Fees paid to non-executive Directors.*

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Fees[1] | **137** | 158 |

1 *Fees paid to non-executive Directors*

## 7 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was $40k (2019: $35k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2019: nil).

## 8 Tax expense

### Tax expense/(credit)

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current tax** | | |
| UK Corporation tax | | |
| - For this year | **(3,940)** | (2,207) |
| - Adjustments in respect of prior years | **1,550** | 193 |
| **Overseas tax** | | |
| - For this year | **3,396** | 1,547 |
| **Total current tax** | **1,006** | (467) |
| **Deferred tax** | | |
| - For this year | **68** | 1,270 |
| - Adjustments in respect of prior years | **134** | (134) |
| **Total deferred tax** | **202** | 1,136 |
| **Total tax charge** | **1,207** | 669 |

The UK corporation tax rate applying to the Company was 19% (2019: 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% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Subsequently, in the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment will be after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax liability would have been $422,460 higher.

## Tax reconciliation

| | 2020 $'000 | (%) | 2019 $'000 | (%) |
|---|---|---|---|---|
| Profit before tax | **(5,957)** | | 243,024 | |
| Tax at 19% (2019: 19%) | **(1,132)** | **19.00** | 46,175 | 19.00 |
| Adjustments in respect of prior years | **1,550** | **(26.02)** | 193 | 0.08 |
| Expenses not deductible | **5,315** | **(89.23)** | 7,612 | 3.13 |
| Dividends not taxable | **(7,887)** | **132.40** | (54,625) | (22.48) |
| Local taxes and overseas withholding taxes | **3,361** | **(56.42)** | 1,314 | 0.54 |
| **Total tax charge** | **1,207** | **(20.27)** | 669 | 0.27 |

## 9 Deferred tax liabilities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| At 01 Jan | **(1,136)** | – |
| Income statement charge | **(202)** | (1,136) |
| **At 31 Dec** | **(1,338)** | (1,136) |

Deferred tax liability recognised in the Company relates to cumulative fair value gain in relation to (connected party) loans issued to HSBC Bank Argentina S.A. and HSBC Bank (Uruguay) S.A..

The amount of temporary differences for which no deferred tax asset is recognised on the balance sheet is $4,912k (2019: $4,385k). This is in respect of tax losses.

## 10 Reconciliation of profit before tax to net cash flow from operating activities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **(Loss)/profit before tax** | **(5,957)** | 243,024 |
| **Non-cash item included in profit and loss** | | |
| Depreciation, amortisation and impairment | **3,229** | 3,795 |
| Fair value movements in loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value | **(357)** | (25,403) |
| | **2,872** | (21,608) |
| **Change in operating assets** | | |
| Change in prepayments, accrued income and other assets | **(1,056)** | (4,051) |
| Change in loans and advances to banks | **3,701** | – |
| Change in intangible assets | **–** | (1,950) |
| | **2,645** | (6,001) |
| **Change in operating liabilities** | | |
| Change in accruals, deferred income and other liabilities | **15,498** | (5,537) |
| Change in provisions | **1,821** | 32,555 |
| | **17,319** | 27,018 |
| **Cash and cash equivalents comprise** | | |
| Cash and balances held with other group undertakings | **214,546** | 298,158 |
| **Interest and dividends** | | |
| Interest paid | **–** | (14,340) |
| Interest received | **7,901** | 24,955 |
| Dividends received | **23,576** | 284,554 |

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

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

| At 31 Dec 2020 | FVPL $'000 | FVOCI $'000 | Amortised cost $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | – | – | 214,546 | 214,546 |
| Loans and advances to banks | – | – | 58,146 | 58,146 |
| Loans and advances to other group undertakings | – | – | 17,000 | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 122,041 | – | – | 122,041 |
| Financial investments | – | 4 | – | 4 |
| Prepayments, accrued income and other assets | – | – | 5,711 | 5,711 |
| **Total financial assets** | 122,041 | 4 | 295,403 | 417,448 |
| Total non-financial assets | | | | 5,530,826 |
| **Total assets** | | | | 5,948,274 |
| **Liabilities** | | | | |
| Accruals, deferred income and other liabilities | – | – | 36,879 | 36,879 |
| **Total financial liabilities** | – | – | 36,879 | 36,879 |
| Total non-financial liabilities | | | | 73,989 |
| **Total liabilities** | | | | 110,868 |

| At 31 Dec 2019 | FVPL $'000 | FVOCI $'000 | Amortised cost $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | – | – | 298,158 | 298,158 |
| Loans and advances to banks | – | – | 61,847 | 61,847 |
| Loans and advances to other group undertakings | – | – | 17,000 | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 121,684 | – | – | 121,684 |
| Financial investments | – | 3 | – | 3 |
| Prepayments and accrued income | – | – | 4,655 | 4,655 |
| **Total financial assets** | 121,684 | 3 | 381,660 | 503,347 |
| Total non-financial assets | | | | 5,434,570 |
| **Total assets** | | | | 5,937,917 |
| **Liabilities** | | | | |
| Accruals, deferred income and other liabilities | – | – | 21,381 | 21,381 |
| **Total financial liabilities** | – | – | 21,381 | 21,381 |
| Total non-financial liabilities | | | | 71,966 |
| **Total liabilities** | | | | 93,347 |

## 12 Fair value of financial instruments not carried at fair value

### Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

(a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.

(b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

| | | Fair values | | | |
|---|---|---|---|---|---|
| | | Valuation techniques | | | |
| | Carrying amount | Quoted price Level 1 | Using observable inputs Level 2 | With significant unobservable inputs Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 31 Dec 2020** | | | | | |
| **Assets** | | | | | |
| Loans and advances to other group undertakings | 17,000 | – | 16,969 | – | 16,969 |
| At 31 Dec 2019 | | | | | |
| Assets | | | | | |
| Loans and advances to other group undertakings | 17,000 | – | 17,462 | – | 17,462 |

## 13 Loans and advances to other group undertakings

| | Nominal interest rate (%) | Maturity date | 2020 $'000 | 2019 $'000 |
|---|---|---|---|---|
| HSBC Bank (Uruguay) S.A | LIBOR +2.70 | 31/7/2029 | 17,000 | 17,000 |
| AT 31 Dec | | | 17,000 | 17,000 |

The loans are denominated in US dollars and the effective interest based in LIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

## 14 Loans and advances to banks

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Loans and advances to banks | 63,735 | 63,547 |
| Expected credit loss income statement charge for the year | (5,589) | (1,700) |
| At 31 Dec | 58,146 | 61,847 |

The Company holds a $63.7m variable rate deposit with Banco Davivienda (Colombia). See Note 24 for further details.

## 15 Financial investments

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Financial investments** | | |
| M W Gestion S.A. | 3 | 3 |
| HSBC Electronic Data Processing Mexico | 1 | — |
| Year ended 31 Dec | 4 | 3 |

During the year, the Company acquired 0.02% stake in HSBC Electronic Data Processing Mexico, for the consideration of $1k.

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of these financial investments are estimated using pricing inputs including first call date, nominal yield curve, credit spread, and coupon information.

## 16 Prepayments, accrued income and other assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Amounts due from other group undertakings[1] | 2,140 | 1,084 |
| Other assets | 3,571 | 3,571 |
| At 31 Dec | 5,711 | 4,655 |

*1 Amounts due from other group undertakings are unsecured and non-interest bearing. Fair value is not significantly different to the carrying value in the balance sheet as they are short term in nature.*

## 17 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

| | Nominal value | Nominal interest rate % | 2020 $'000 | 2019 $'000 |
|---|---|---|---|---|
| HSBC Bank (Uruguay) S.A. | 15,000 | 5.93 | 15,508 | 15,575 |
| HSBC Bank Argentina S.A. | 100,000 | 5.25 | 106,533 | 106,109 |
| Total | 115,000 | | 122,041 | 121,684 |

The loan is denominated in US dollars. The nominal interest rate is equal to the effective rate of interest as there have been no fees charged on this loan.

The loan is carried at fair value, with any changes from remeasurement to fair value recognised in the income statement (Note 2).

Fair values were denominated using valuation techniques with observable inputs (Level 2). The fair values of these loans and advances are estimated using pricing inputs including first call date, nominal yield curve, credit spread and coupon information.

## 18 Investments in subsidiaries

### Movements on investments

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Cost** | | |
| **At 1 Jan** | **5,423,693** | 5,397,754 |
| Additions | **97,752** | 40,000 |
| Repayment of capital from Subsidiaries | **–** | (14,061) |
| **At 31 Dec** | **5,521,445** | 5,423,693 |

**Additions to investments**

During the year, the Company paid intercompany expenses on behalf of following Argentina Group entities, HSBC Bank Argentina ($84.6m), HSBC Argentina Holdings S.A. ($8.6m), HSBC New York Life Seguros de Vida ($3.8m) and HSBC New York Life Seguros de Retiro ($0.4m), in-direct subsidiaries of the Company, same has been recognised as capital contribution.

During the prior year, the Company purchased 10 Ordinary shares in its subsidiary HSBC Latin America B.V. for a total consideration of $40 million.

**Return of capital**

During the prior year, the Company's subsidiaries HSBC Bank (Uruguay) S.A. and Promocion en Bienes Raices, S.A de C.V. distributed $10m and $4m respectively as a return of cost of capital.

**Impairment of investments**

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment. The below process is followed if there is an indication of a change in impairments.

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

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

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

**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.

In the current year there is no indication of further deterioration in the subsidiaries and no further assessment is performed.

**Grupo Financiero HSBC S.A. de C.V.**

Grupo Financiero HSBC S.A. de C.V. provides banking and financial services in Mexico. A comparison of carrying amount of $4,709m (2019: $4,709m) to value in use of $6,696m (2019: $8,171m), calculated using a discount rate of 14.40% (2019: 13.45%) and a growth rate of 3.31% (2019: 3.37%) has resulted in no provision for impairment being required.

Based on management's value in use calculation of $6,696m for its investment in Grupo Financiero HSBC S.A. de C.V., the Company has not recognised any impairment provision.

**HSBC Bank (Uruguay) S.A.**

HSBC Bank (Uruguay) S.A. provides banking and financial services. A comparison of carrying amount of $93m (2019: $93m) to value in use of $110m (2019: $108m), calculated using a discount rate of 18.2% (2019: 19%) and a growth rate of 3.69% (2019: 3.94%) has resulted in no provision for impairment being required.

Based on management's value in use calculation of $110m for its investment in HSBC Bank (Uruguay) S.A., the Company has not recognised any impairment provision.

### Argentina Group Entities

On comparison of carrying value of Company's investment in Argentina Group entities to the value in use of $158m, calculated using a discount rate of 44.25% and a growth rate of 11.32% has resulted in no provision for impairment being required.

**Sensitivity to key assumptions**

Based on management's value in use calculation of $158m for its investment in Argentina group entities, the Company has not recognised any impairment provision.

Changes to the key assumptions used in the value in use calculation would have the following impact on the value in use:

| Key assumption: Cash flow ($) | Change in assumption | Impact on viu - (loss)/gain |
|---|---|---|
| Discount rate | +/-100 basis points | $(6)m/$6m |
| Nominal growth rate | +/-100 basis points | $2m/$(3)m |
| Change in cashflow | +/- 5% | $8m/$(8)m |

The principal subsidiary undertakings of the Company as at 31 December 2020 and 31 December 2019 are set out below.

| | Country of Incorporation | Interest in equity capital (%) | Share class |
|---|---|---|---|
| Grupo Financiero HSBC, S.A. de C.V. | Mexico | 100.00 % | Ordinary Shares |
| HSBC Bank (Uruguay) S.A. | Uruguay | 100.00 % | Ordinary Shares |
| HSBC Brasil Holding S.A. | Brazil | 100.00 % | Ordinary Shares |
| HSBC Inversiones S.A. | Chile | 99.97 % | Ordinary Shares |
| HSBC Latin America B.V. | Netherlands | 100.00 % | Ordinary Shares |
| Promocion en Bienes Raices, S.A. de C.V. | Mexico | 94.39 % | Preference Shares |

Details of all the Company's subsidiaries, as required under section 409 of Companies Act 2006, are set out in Note 28.

## 19 Intangible assets

| | Internally developed software | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| **Cost** | | |
| **At 1 Jan** | 19,147 | 17,198 |
| Additions | 240 | 1,282 |
| Other | – | 667 |
| **At 31 Dec** | 19,387 | 19,147 |
| **Accumulated amortisation** | | |
| **At 01 Jan** | (10,477) | (6,682) |
| Charge for the year | (3,368) | (3,113) |
| Impairment | (101) | (15) |
| Other | – | (667) |
| **At 31 Dec** | (13,946) | (10,477) |
| **Net book value** | | |
| **At 01 Jan** | 8,670 | 10,516 |
| **As at 31 Dec** | 5,441 | 8,670 |

Intangible assets consist of internally developed computer software. These costs have been borne by the Company on behalf of subsidiaries and these costs are typically amortised over a period of between three and five years estimated useful economic life.

## 20 Accruals, deferred income and other liabilities

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Amounts owed to other group undertakings | 36,631 | 20,332 |
| Other liabilities | 248 | 1,059 |
| **At 31 Dec** | 36,879 | 21,391 |

Amounts due to other group undertakings are non-interest bearing amounts and repayable on demand.

The fair value of the amounts due to other group undertakings is not significantly different to the carrying value in the balance sheet as they are short term in nature.

## 21 Provisions

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| **At 1 Jan** | 70,830 | 38,275 |
| Increase in provision | 21,029 | 37,375 |
| Provision utilised | (1,824) | – |
| Provision released | (17,384) | (4,820) |
| **At 31 Dec** | 72,651 | 70,830 |

The above provisions relate to claims on indemnity guarantees which are issued by the Company as part of sale agreements and is common practice for these types of transactions. The payout period associated with some indemnities can be in excess of 20 years.

## 22 Maturity analysis of assets and liabilities

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

| | On demand | Due within 3 months | Due between 3 - 12 months | Due after 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | |
| Cash and cash equivalents | 214,546 | – | – | – | – | 214,546 |
| Loans and advances to banks | 58,146 | – | – | – | – | 58,146 |
| *Loans and advances to other group undertakings* | – | – | – | 17,000 | – | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | – | – | – | 122,041 | – | 122,041 |
| Financial investments | – | – | – | – | 4 | 4 |
| Prepayment, accrued income and other assets | – | 2,140 | – | – | 3,571 | 5,711 |
| Non-financial assets | – | – | 3,940 | – | 5,526,886 | 5,530,826 |
| **At 31 Dec 2020** | 272,692 | 2,140 | 3,940 | 139,041 | 5,530,461 | 5,948,274 |
| **Liabilities and Equity** | | | | | | |
| Accruals, deferred income and other liabilities | – | 36,879 | – | – | – | 36,879 |
| Provisions | 72,651 | – | – | – | – | 72,651 |
| Non-financial liabilities | – | – | – | 1,338 | – | 1,338 |
| Equity | – | – | – | – | 5,837,406 | 5,837,406 |
| **At 31 Dec 2020** | 72,651 | 36,879 | – | 1,338 | 5,837,406 | 5,948,274 |

| | On demand | Due within 3 months | Due between 3 - 12 months | Due after 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 298,158 | – | – | – | – | 298,158 |
| Loans and advances to banks | 61,847 | – | – | – | – | 61,847 |
| Loans and advances to other group undertakings | – | – | – | 17,000 | – | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | – | – | – | 121,684 | – | 121,684 |
| Financial investments | – | – | – | – | 3 | 3 |
| Prepayment and accrued income | – | 1,084 | – | – | 3,571 | 4,655 |
| Non-financial assets | – | – | 2,207 | – | 5,432,363 | 5,434,570 |
| At 31 Dec 2019 | 360,005 | 1,084 | 2,207 | 138,684 | 5,435,937 | 5,937,917 |
| Liabilities and Equity | | | | | | |
| Accruals and other financial liabilities | – | 21,381 | – | – | – | 21,381 |
| Provisions | 70,830 | – | – | – | – | 70,830 |
| Non-financial liabilities | – | – | – | 1,136 | | 1,136 |
| Equity | – | – | – | – | 5,844,570 | 5,844,570 |
| At 31 Dec 2019 | 70,830 | 21,381 | – | 1,136 | 5,844,570 | 5,937,917 |

## 23 Called up share capital

| | | | 2020 | 2019 |
|---|---|---|---|---|
| | Nominal value per share | Number of issued and fully paid shares | Issued share capital | Issued share capital |
| **Class of shares** | £ | | $'000 | $'000 |
| Ordinary shares | 1 | 112 | – | – |

Called up share capital is $168 (2019: $168) but has been rounded down to nil, as all balances are in $'000.

## 24 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month to address asset, liability and risk management issues for the HSBC Group. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

### Credit risk management

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

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

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

The Company exposure to credit risk in relation to cash and cash equivalents and loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value relate to group undertakings that are wholly-owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

### Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Due to the forward-looking nature of IFRS 9, the scope of financial instruments on which ECL are recognised is greater than the scope of IAS 39.

The analysis in the following tables represent the concentration of exposures on which credit risk is managed.

| | At 31 Dec 2020 | | At 31 Dec 2019 | |
|---|---|---|---|---|
| | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL |
| | $'000 | $'000 | $'000 | $'000 |
| Loans and advances to banks at amortised cost | 63,735 | (5,589) | 63,547 | (1,700) |
| **Total gross carrying amount on balance sheet** | **63,735** | **(5,589)** | 63,547 | (1,700) |

The following table provides an overview of the Company's credit risk by stage and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

Summary of credit risk by stage distribution and ECL coverage

| | Gross carrying/nominal amount | | | Allowance for ECL | | | ECL Coverage % | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | % | % | % |
| Loans and advances to banks at amortised cost | 63,735 | – | – | 5,589 | – | – | 8.8 | – | – |
| **At 31 Dec 2020** | **63,735** | – | – | **5,589** | – | – | **8.8** | – | – |

Reconciliation of allowances for cash deposits for Loans and advances to banks at amortised cost

| | 2020 | 2019 |
|---|---|---|
| | ECL allowance | ECL allowance |
| | $'000 | $'000 |
| At 1 Jan | 1,700 | – |
| ECL income statement charge for the year | 3,889 | 1,700 |
| **At 31 Dec** | **5,589** | **1,700** |
| **Total ECL income charge/(release) for the year** | **3,889** | **1,700** |

### Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

| | 2020 | | |
|---|---|---|---|
| | Maximum exposure | Offset | Net |
| | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 214,546 | – | 214,546 |
| Loans and advances to banks at amortised cost | 63,735 | (5,589) | 58,146 |
| Loans and advances to other group undertakings | 17,000 | – | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 122,041 | – | 122,041 |
| Financial investments | 4 | – | 4 |
| Prepayments, accrued income and other assets | 5,711 | – | 5,711 |
| **At 31 Dec** | **423,037** | **(5,589)** | **417,448** |

| | 2019 | | |
|---|---|---|---|
| | Maximum exposure | Offset | Net |
| | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 298,158 | – | 298,158 |
| Loans and advances to banks at amortised cost | 63,547 | (1,700) | 61,847 |
| Loans and advances to other group undertakings | 17,000 | – | 17,000 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 122,041 | – | 122,041 |
| Financial investments | 3 | – | 3 |
| Prepayments, accrued income and other assets | 4,655 | – | 4,655 |
| Total on balance sheet exposure to credit risk | 505,404 | (1,700) | 503,704 |

### Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings. The Company also has a line of credit with HSBC Bank plc which can be used for liquidity purposes.

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

| | On Demand | Due within 3 months | Due between 3-12 months | Due between 1-5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Accruals, deferred income and other liabilities | – | 36,880 | – | – | – | 36,880 |
| Provisions | 72,651 | – | – | – | – | 72,651 |
| **At 31 Dec 2020** | **72,651** | **36,880** | – | – | – | **109,531** |

| | On Demand | Due within 3 months | Due between 3-12 months | Due between 1-5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Accruals, deferred income and other liabilities | – | 21,381 | – | – | – | 21,381 |
| Provisions | 70,830 | – | – | – | – | 70,830 |
| At 31 Dec 2019 | 70,830 | 21,381 | – | – | – | 92,211 |

### Market risk management

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

#### Foreign exchange risk

Investments in subsidiaries denominated in a foreign currency are measured at historical cost and are translated into the functional currency using the rate of exchange at the date of the transaction. They are not subject to a foreign currency sensitivity analysis.

The Company is exposed to foreign currency risk on monetary assets and liabilities that are denominated in a currency other than the US dollar. The currency giving rise to this risk is primarily Sterling which amounted to a $3m liability (2019: $11m liability).

The Company's profit before tax would increase by $0.1m and profit after tax by $0.1m (2019: profit before tax increase by $0.6m, profit after tax by $0.5m) if the Sterling foreign exchange rate weakened by 5 per cent relative to the US dollar.

Foreign currency rate sensitivity analysis has been performed on the net assets foreign exchange risk exposure as at the reporting date. An upward/downward movement in the USD: GBP rate of 5 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

#### Interest rate risk

The Company held net assets of $290m (2019: $377m net assets) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in LIBOR on these net assets would be an increase/(decrease) of profit before tax of $3m (2019: $4m increase) and after tax of $2m (2019:$3m increase).

## 25 Related party transactions

### Transactions with other related parties

Balances and transactions with other related parties can be summarised as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Highest balance during the year** | **Balance at 31 December** | Highest balance during the year | Balance at 31 December |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Assets** | | | | |
| Cash and cash equivalents[1] | **298,159** | **214,546** | 328,986 | 298,158 |
| Loans and advances to other group undertakings[2] | **17,000** | **17,000** | 522,782 | 17,000 |
| Prepayments, accrued income and other assets[2] | **6,201** | **2,140** | 9,078 | 1,084 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss[1] | **122,797** | **122,041** | 121,684 | 121,684 |
| Financial investments[2] | **4** | **4** | 3 | 3 |
| **Liabilities** | | | | |
| Loans from other group undertakings[4] | **–** | **–** | 500,404 | – |
| Accruals, deferred income and other liabilities[4] | **71,183** | **36,631** | 31,611 | 20,322 |

| | 2020 | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Income statement** | | |
| Interest income[4] | **1,659** | 19,632 |
| Interest expense[3] | **–** | 14,340 |
| Dividend income[2] | **23,576** | 284,554 |

1 *These balances are with other related parties comprising of HSBC Group companies which are not a parent nor subsidiary of the Company.*
2 *These balances are with subsidiaries of the Company.*
3 *These balances are with HSBC Holdings plc, the parent of the Company.*
4 *These balances are with other related parties comprising of HSBC Group companies, including the parent and 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.

## 26 Parent undertakings

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

All companies are registered in England and Wales.

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

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

## 27 Events after the balance sheet date

In April 2021, the Company paid $31m to settle indemnity guarantee provision of $48m.(Note 21), considered as non-adjusting.

In June 2021, the Company received dividend of $13.6m from HSBC Inversiones S.A.

In July 2021, the Company received dividend of $246m from HSBC Mexico and paid a Dividend of $246m to HSBC Holdings plc.

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

## 28 HSBC Latin America Holdings (UK) Limited's subsidiaries and associate

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries and associate, the country of incorporation and the effective percentage of equity owned at 31 December 2020 and 31 December 2019 is disclosed below.

| Subsidiaries | Interest (%) | Footnotes |
|---|---|---|
| Almacenadora Banpacifico S.A. | 99.99 % | 1, 5 |
| Desarrollo Turistico, S.A. de C.V. | 99.75 % | 1, 5 |
| Fundacion HSBC, A.C. | 100.00 % | 3, 5 |
| Global Payments Technology Mexico S.A. De C.V. | 100.00 % | 1, 6 |
| Grupo Financiero HSBC, S. A. de C. V. | 100.00 % | 1, 5 |
| HSBC Administradora de Inversiones S.A. | 100.00 % | 1, 7 |
| HSBC Argentina Holdings S.A. | 100.00 % | 1, 8 |
| HSBC Bank (Chile) | 100.00 % | 1, 9 |
| HSBC Bank (Uruguay) S.A. | 100.00 % | 1, 10 |
| HSBC Bank Argentina S.A. | 99.99 % | 1, 8 |
| HSBC Brasil Holding S.A. | 100.00 % | 1, 11 |
| HSBC Brasil S.A. Banco de investimento | 100.00 % | 1, 11 |
| HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC | 100.00 % | 1, 5 |
| HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC | 100.00 % | 1, 5 |
| HSBC Inmobiliaria (Mexico), S.A. de C.V. | 100.00 % | 1, 5 |
| HSBC Inversiones S.A. | 100.00 % | 1, 9 |
| HSBC Latin America B.V. | 100.00 % | 1, 12 |

| Subsidiaries | Interest (%) | Footnotes |
|---|---|---|
| HSBC México, S.A., Institución de Banca Multiple, Grupo Financiero HSBC | 100.00 % | 1, 5 |
| HSBC Participaciones (Argentina) S.A. | 100.00 % | 1, 8 |
| HSBC Pensiones, S.A. | 100.00 % | 1, 13 |
| HSBC Seguros de Retiro (Argentina) S.A. | 100.00 % | 1, 8 |
| HSBC Seguros de Vida (Argentina) S.A. | 100.00 % | 1, 8 |
| HSBC Seguros, S.A de C.V., Grupo Financiero HSBC | 100.00 % | 1, 13 |
| HSBC Servicios Financieros, S.A. de C.V | 100.00 % | 1, 5 |
| HSBC Servicios, S.A. DE C.V., Grupo Financiero HSBC | 100.00 % | 1, 5 |
| Inmobiliaria Banci, S.A. de C.V. | 99.68 % | 1, 5 |
| Inmobiliaria Bisa, S.A. de C.V. | 99.98 % | 1, 5 |
| Inmobiliaria Grufin, S.A. de C.V. | 100.00 % | 1, 5 |
| Inmobiliaria Guatusi, S.A. de C.V. | 100.00 % | 1, 5 |
| Maxima S.A. AFJP (En liquidación) | 99.98 % | 1, 8 |
| Mexicana de Fomento, S.A. de C.V. | 99.90 % | 1, 5 |
| MW Gestion SA | 100.00 % | 1, 8 |
| Promocion en Bienes Raices, S.A. de C.V. | 99.86 % | 2, 5 |
| Tower Investment Management | 100.00 % | 1, 14 |

| Associate | Footnotes |
|---|---|
| The Tower Fund L.P. | 4, 15 |

| Reference | Description of Shares |
|---|---|
| 1 | Ordinary Shares |
| 2 | Preference Shares |
| 3 | Parts Shares |
| 4 | Limited Partnership |

| Reference | Registered Office |
|---|---|
| 5 | Paseo de la Reforma 347, Col. Cuauhtemoc , Mexico, 06500 |
| 6 | 347 Paseo de la Reforma, Col. Cuauhtemoc, Alcaldía Cuauhtemoc, Mexico, Mexico, 06500 |
| 7 | Bouchard 557, Piso 18° , Cdad. Autónoma de Buenos Aires, Argentina, 1106 |
| 8 | 557 Bouchard, Level 22 , Ciudad de Buenos Aires, Capital federal, Argentina, C1106ABG |
| 9 | Isidora Goyenechea 2800, 23rd floor, Las Condes , Santiago, Chile, 7550647 |
| 10 | 25 de Mayo 471 , Montevideo, Uruguay, 11000 |
| 11 | Rua Funchal, n° 160, SP Corporate Towers, Torre Norte, 19° andar, cj 191A - Parte, São Paulo, Brazil, 04551-060 |
| 12 | 8 Canada Square , London, United Kingdom, E14 5HQ |
| 13 | Paseo de la Reforma 359, 6th Floor , Mexico, 06500 |
| 14 | 11 Dr. Roy's Drive PO Box 694GT, Grand Cayman, Cayman Islands, KY1-1107 |
| 15 | Av. De Mayo 701, 8th Floor, Buenos Aires 1084 Argentina |