

# **HSBC Overseas Holdings (UK) Limited**

**Registration No:1656361**

**Annual Report and Financial Statements for the year  
ended 31 December 2021**

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# Annual Report and Financial Statements for the year ended 31 December 2021

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## **Strategic Report**

### **Principal activities**

HSBC Overseas 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, United Kingdom.

During the year ended 31 December 2021, HSBC Overseas 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 2021 were \$5,318m (2020: \$4,329m).

### **Performance**

The performance and position of the Company for the year ended 31 December 2021 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 2021 increased to \$27,147m (2020: \$26,157m).

The results of the Company show a profit before tax of \$1,752m for the year (2020: \$867m loss before tax). This is primarily due to Reversal of impairment of \$1,043m in the investment of HSBC Bank Canada and \$111m in the investment of HSBC Bank Bermuda Limited is recognised during the year (2020 : \$1,152m charge) (Note 14).

The Company received the following dividends from other group undertakings:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Dividends from ordinary shares</b>		
HSBC Software Development (Guangdong) Limited	<b>50,152</b>	41,532
HSBC Bank Bermuda Limited	<b>132,000</b>	97,000
HSBC Bank Canada	<b>347,072</b>	120,732
	<b>529,224</b>	259,264
<b>Dividends from preference shares</b>		
HSBC North America Holdings Inc.	<b>132,307</b>	136,793
HSBC Bank Canada	<b>36,197</b>	35,340
	<b>168,504</b>	172,133

### **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 investment company, the principal stakeholder of the Company is the Company's parent entity. The Company declared dividends of \$2,085m during 2021. In making the decisions, the Board took into consideration the profits available for distribution, the dividend policy, the capital position, the long-term interests of the Company and the interests of the Group as a whole.

### **Stakeholder engagement**

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. For further information on the Company's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement, above.

### **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.

## **HSBC Overseas Holdings (UK) Limited**

### **Principal risks and uncertainties**

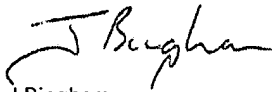
The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 21 on the financial statements.

Being an investment holding company, the Company is also subject to the risks of the performance of its subsidiaries which could result in impairment of these investments. The Company's accounting policy for impairment of investments in subsidiaries is set out in Note 1.2 on the Financial Statements.

The Company's exposures to credit, liquidity and market risks (including foreign currency risks and interest rate risk) are limited due to the nature of its business, which includes investing in or financing of subsidiaries.

These transactions are generally funded by way of capital or debt obtained from the parent or other group companies.

On behalf of the Board



J Bingham  
Director

28 July 2022

Registered Office  
8 Canada Square  
London  
E14 5HQ  
United Kingdom

## 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
J Bingham	1 July 2020	
R Boyns	1 July 2020	
Braulio N Villela	29 July 2021	
G A Francis	16 September 2014	1 July 2020
R J Hennity	30 September 2011	31 March 2020
I F MacKinnon	16 September 2011	8 February 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.

### Dividends

Dividends of \$2,085m were declared and paid during the year (2020: \$10m).

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

The Company received dividends of \$166m (February 2022) and \$80m (April 2022) from HSBC Bank Canada.

The Company received dividends of \$21m (February 2022) and \$72m (May 2022) from HSBC Bermuda Bank Limited

The Company received dividends of \$20m (March 2022) and \$150m (June 2022) from HSBC Insurance (Bermuda) Limited

The Company received dividends of \$56m (April 2022) from HSBC North America Holdings Inc.

The Company declared and paid a dividend of \$501m (February 2022), \$271m (March 2022) and \$347m (June 2022) to HSBC Holdings plc.

In March 2022, The Company received a return of capital of CAD 600m from its subsidiary, HSBC Bank Canada and concurrently return CAD 600m to its parent, HSBC Holdings plc.

In January 2022, The Company recorded a return of capital of CHF 100m from its subsidiary, HSBC Private Banking Holdings (Suisse) SA.

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 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 and capital resources.

These considerations include stressed scenarios that reflect the uncertainty that the global Covid-19 pandemic has had on the 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 21 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. Refer Note 19 for more details

### Corporate governance statement

The Company is, together with the wider HSBC Group, committed to high standards of corporate governance. The HSBC Group has a comprehensive range of principles, policies and procedures influenced by the UK Corporate Governance Code with requirements in respect of Board independence, composition and effectiveness to ensure that the Group is well managed, with appropriate oversight and control. These governance requirements surpass those of the alternative governance codes, as such the Company did not apply any specific corporate governance code during the financial year.

During the year, the Company complied with all of HSBC's corporate governance principles, policies and procedures.

## HSBC Overseas Holdings (UK) Limited

### 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 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, the Directors have prepared financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU'). In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ('IASB').

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 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 applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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, 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 enabling them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

### Directors' confirmations

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement. In the case of each Director in office as at the date the Report of the Directors is approved, that:

- 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 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



R Boyns  
Director  
28 July 2022

Registered Office  
8 Canada Square  
London E14 5HQ  
United Kingdom

## **Independent auditors' report to the members of HSBC Overseas Holdings (UK) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

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

- a. give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- b. have been properly prepared in accordance with UK-adopted international accounting standards; and
- c. have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2021; the income statement, the statement of comprehensive income, the statement of cash flows, and 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 on 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 2021 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 featuring unexpected account combinations, journals prepared and approved by the same users, journals created by unexpected users, and journals featuring unusual words. We also incorporated an element of unpredictability into our testing.

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](http://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.

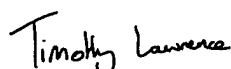
## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained 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 (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28 July 2022



## Financial statements

### Income statement for the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
Interest income	22	—	2,710
Interest expense	22	(412,458)	(561,144)
<b>Net interest expense</b>		<b>(412,458)</b>	<b>(558,434)</b>
Changes in fair value of long-term debt	2	292,244	(133,845)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	22,023	555,321
Dividend income		697,728	431,397
Net loss from financial instruments held for trading or managed on a fair value basis	3	(952)	(7,203)
<b>Net operating income</b>		<b>598,585</b>	<b>287,236</b>
General and administrative expenses		(44)	(37)
Reversal/(Impairment) of impairment of subsidiaries	14	1,153,860	(1,153,860)
<b>Total operating income/(expense)</b>		<b>1,153,816</b>	<b>(1,153,897)</b>
<b>Profit/(loss) before tax</b>		<b>1,752,401</b>	<b>(866,661)</b>
Tax (expense)/credit	7	(15,238)	6,817
<b>Profit/(loss) for the year</b>		<b>1,737,163</b>	<b>(859,844)</b>

## HSBC Overseas Holdings (UK) Limited

### Statement of comprehensive income for the year ended 31 December 2021

	2021	2020
	\$'000	\$'000
Profit/(loss) for the year	1,737,163	(859,844)
Other comprehensive expense		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Equity instruments designated at fair value through other comprehensive income		
- fair value losses	(10)	(3)
<b>Other comprehensive expense for the year, net of tax</b>	<b>(10)</b>	<b>(3)</b>
<b>Total comprehensive income/(expense) for the year</b>	<b>1,737,153</b>	<b>(859,847)</b>

# HSBC Overseas Holdings (UK) Limited

## Balance sheet at 31 December 2021

Registration No: 1656361

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	1,266,757	568,466
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12	10,756,404	12,423,022
Financial investments		29	39
Prepayments, accrued income and other assets	13	84,210	127,488
Current tax assets		11,231	21,725
Investments in subsidiaries	14	27,973,228	28,241,145
<b>Total assets</b>		<b>40,091,859</b>	<b>41,381,885</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Loans from other group undertakings	15	4,191,328	6,388,071
Financial liabilities designated at fair value	16	8,671,740	8,726,359
Accruals, deferred income and other liabilities	17	67,713	98,904
Deferred tax liabilities	8	14,384	11,066
<b>Total liabilities</b>		<b>12,945,165</b>	<b>15,224,400</b>
<b>Equity</b>			
Called up share capital	19	1	1
Share premium account		21,639,879	21,639,879
Other equity instruments		188,743	188,743
Other reserves		1,690,103	353,222
Retained earnings		3,627,968	3,975,640
<b>Total equity</b>		<b>27,146,694</b>	<b>26,157,485</b>
<b>Total liabilities and equity</b>		<b>40,091,859</b>	<b>41,381,885</b>

The financial statements and its accompanying notes on pages 12 to 25 were approved by the Board of Directors on 28 July 2022 and signed on its behalf by:



R Boyns  
Director

## HSBC Overseas Holdings (UK) Limited

### Statement of cash flows for the year ended 31 December 2021

		2021	2020
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before tax</b>		<b>1,752,401</b>	<b>(866,661)</b>
<b>Adjustments for:</b>			
Non-cash items included in profit before tax	9	(1,138,605)	1,177,766
Change in operating assets	9	32,091	8,550
Change in operating liabilities	9	(31,191)	(11,553)
Tax credit received		9,764	36,130
<b>Net cash generated from operating activities</b>		<b>624,460</b>	<b>344,232</b>
<b>Cash flows from investing activities</b>			
Net loans and advances from other group undertakings designated and otherwise mandatorily measured at fair value		1,350,000	—
Net cash outflow from investments in subsidiaries	14	(1,336,891)	(353,270)
Repayment of Capital from Subsidiaries		2,758,667	—
<b>Net cash generated from/(used in) investing activities</b>		<b>2,771,776</b>	<b>(353,270)</b>
<b>Cash flows from financing activities</b>			
Loans (repayments to)/from other group undertakings	15	(2,200,000)	—
Loans from other group undertakings designated at fair value		250,000	—
Capital Contribution		1,336,891	353,270
Changes in foreign exchange rates		—	—
Dividends paid		(2,084,836)	(9,606)
<b>Net cash (used in)/generated from financing activities</b>		<b>(2,697,945)</b>	<b>343,664</b>
Net increase in cash and cash equivalents		698,291	334,626
Cash and cash equivalents brought forward		568,466	233,840
Cash and cash equivalents carried forward	9	1,266,757	568,466

## HSBC Overseas Holdings (UK) Limited

### Statement of changes in equity for the year ended 31 December 2021

	Called up share capital \$'000	Share Premium \$'000	Other equity instruments \$'000	Retained earnings \$'000	Other reserves		Total equity \$'000
					Financial assets at FVOCI reserve \$'000	Capital contribution reserve \$'000	
<b>At 1 Jan 2021</b>	<b>1</b>	<b>21,639,879</b>	<b>188,743</b>	<b>3,975,640</b>	<b>(48)</b>	<b>353,270</b>	<b>26,157,485</b>
Profit/(loss) for the year	—	—	—	1,737,163	—	—	1,737,163
Other comprehensive losses (net of tax)							
- equity instruments designated at fair value through other comprehensive income	—	—	—	—	(10)	—	(10)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,737,163</b>	<b>(10)</b>	<b>—</b>	<b>1,737,153</b>
Additional tier 1 instrument issued	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	(2,084,835)	—	—	(2,084,835)
Capital contribution	—	—	—	—	—	1,336,891	1,336,891
<b>At 31 Dec 2021</b>	<b>1</b>	<b>21,639,879</b>	<b>188,743</b>	<b>3,627,968</b>	<b>(58)</b>	<b>1,690,161</b>	<b>27,146,694</b>

	Called up share capital \$'000	Share Premium \$'000	Other equity instruments \$'000	Retained earnings \$'000	Other reserves		Total equity \$'000
					Financial assets at FVOCI reserve \$'000	Capital contribution reserve \$'000	
<b>At 1 Jan 2020</b>	<b>1</b>	<b>21,639,879</b>	<b>188,743</b>	<b>4,845,090</b>	<b>(45)</b>	<b>—</b>	<b>26,673,668</b>
Loss for the year	—	—	—	(859,844)	—	—	(859,844)
Other comprehensive loss (net of tax)							
- equity instruments designated at fair value through other comprehensive income	—	—	—	—	(3)	—	(3)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(859,844)</b>	<b>(3)</b>	<b>—</b>	<b>(859,847)</b>
Additional tier 1 instrument issued	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	(9,606)	—	—	(9,606)
Capital contribution	—	—	—	—	—	353,270	353,270
<b>At 31 Dec 2020</b>	<b>1</b>	<b>21,639,879</b>	<b>188,743</b>	<b>3,975,640</b>	<b>(48)</b>	<b>353,270</b>	<b>26,157,485</b>

#### Financial assets at FVOCI reserve

Reserve is not distributable as it is not readily realisable.

#### Capital Contribution Reserve

During the year, HSBC Holdings plc gifted to the company \$1,337m, which was subsequently invested in HSBC Private Banking Holdings (Suisse) SA. (Note 14) (2020: The Company received a CET1 capital injection of \$353m (CAD 500m) from HSBC Holdings plc. which was subsequently invested in HSBC Bank Canada)

#### Dividend per share

Dividend per ordinary share issued for the year was \$1.8m (2020: \$0.01m).

#### Other equity instruments

AT1 preference shares issued to HSBC Holdings plc.

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

The accompanying notes on pages 12 to 25 form an integral part of these financial statements.

## **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 2021

There were no new accounting standards or interpretations that had a significant effect on the Company in 2021. Accounting policies have been consistently applied.

##### **(b) Future accounting developments**

Minor amendments to IFRSs

The IASB has not published any minor amendments to IFRSs which are 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 other new IFRSs published by the IASB effective from 1 January 2021 that will have an impact on the financial statements of the Company.

##### **(c) Foreign currencies**

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

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, 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 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, 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 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 credit-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, or fair value less cost to sell. Both of which are subject to uncertain factors as follows:

#### Judgements

- 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 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
- Fair value is based on the best information available to reflect the amount that an entity could obtain at the reporting date from the sale of the assets in an arm's length transaction between two knowledgeable, willing parties, after deducting costs of disposal
- Key assumptions used in estimating impairment in subsidiaries are described in Note 14

### (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 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.

Financial instruments are classified into one of three fair value hierarchy levels, described in Note XX, 'Fair values of financial instruments carried at fair value'.

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

Loans from other group undertakings

Loans from other group undertakings are recognised when cash is advanced or contractual arrangements are entered into, which is generally on the trade date. These liabilities are initially measured at fair value less directly attributable transaction costs. The Company derecognises the financial liability when the Company 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.

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

## HSBC Overseas Holdings (UK) Limited

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

Loans and advances 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. Designated loans and advances liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. 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' or 'Net income from financial instruments held for trading or managed on a fair value basis'.

### (g) 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.

### (h) 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.

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.

### (i) 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.

### (j) 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

	2021 \$'000	2020 \$'000
<b>Net income arising on:</b>		
Changes in own credit spread on long-term debt	26,684	19,178
Other changes in fair value	265,560	(153,023)
<b>Changes in fair value of long-term debt</b>	<b>292,244</b>	<b>(133,845)</b>
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	22,023	555,321
<b>Year ended 31 Dec</b>	<b>314,267</b>	<b>421,476</b>



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

	2021	2020
	\$'000	\$'000
Foreign exchange loss	(952)	(7,203)

### 4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2020: nil).

### 5 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2020: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

### 6 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 \$39k (2020: \$37k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2020: nil).

### 7 Tax

#### Tax credit

	2021	2020
	\$'000	\$'000
<b>Current tax</b>		
- For this year	(16,126)	(21,725)
- Adjustments in respect of prior years	4,482	5,771
<b>Overseas tax</b>		
- For this year	23,564	12,437
<b>Total current tax</b>	<b>11,920</b>	<b>(3,518)</b>
<b>Deferred tax</b>		
- For this year	(581)	(4,989)
- Effects of changes in tax rates	3,452	1,690
- Adjustments in respect of prior years	447	—
<b>Total deferred tax</b>	<b>3,318</b>	<b>(3,299)</b>
<b>Year ended 31 Dec</b>	<b>15,238</b>	<b>(6,817)</b>

The UK corporation tax rate applying to the Company was 19.00% (2020: 19.00%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

#### Tax reconciliation

	2021		2020	
	\$'000	(%)	\$'000	(%)
Profit before tax	1,752,401		(866,661)	
Tax at 19.00% (2019: 19.00%)	332,956	19.00	(164,666)	19.00
Adjustment in respect of prior years	4,482	0.26	5,771	(0.67)
Expenses not deductible	471	0.03	220,396	(25.43)
Adjustments in respect of previous period	447	0.03	—	—
Non-taxable income and gains	(351,802)	(20.08)	(81,965)	9.46
Tax rate change	3,452	0.20	1,690	(0.19)
Effects of overseas tax rules	23,204	1.32	11,951	(1.38)
Amounts not recognised	2,028	0.11	7	—
<b>Year ended 31 Dec</b>	<b>15,238</b>	<b>0.87</b>	<b>(6,817)</b>	<b>0.79</b>

### 8 Deferred tax

The following table shows the net deferred tax liabilities recognised in the balance sheet and the related amounts recognised in the income statement:

	2021	2020
	\$'000	\$'000
At 1 Jan	11,066	14,365
Income statement charge	3,318	(3,299)
<b>At 31 Dec</b>	<b>14,384</b>	<b>11,066</b>

Net deferred tax liabilities exist in relation to the fair value gains and losses from loans and advances designated at fair value which comprise gross deferred tax liabilities of \$91m and gross deferred tax assets of \$80m.

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

	2021 \$'000	2020 \$'000
<b>Profit/(loss) before tax</b>	<b>1,752,401</b>	<b>(866,661)</b>
<b>Non-cash item included in profit and loss</b>		
Impairment (reversal)/charge of investments	(1,153,860)	1,153,860
Fair value movements	15,255	23,906
	(1,138,605)	1,177,766
<b>Change in operating assets</b>		
Change in prepayment and accrued income	32,091	8,550
Change in amounts due from fellow subsidiaries	—	—
	32,091	8,550
<b>Change in operating liabilities</b>		
Change in accruals, deferred income and other liabilities	(31,191)	(11,553)
	(31,191)	(11,553)
<b>Cash and cash equivalents comprise</b>		
Cash and balances held with other group undertakings	1,266,757	568,466
<b>Interest and dividends</b>		
Interest paid	(443,637)	(572,696)
Interest received	367,120	450,946
Dividends received	703,068	433,312

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

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

	FVPL \$'000	FVOCI \$'000	Amortised cost \$'000	Total \$'000
<b>At 31 Dec 2021</b>				
<b>Assets</b>				
Cash and cash equivalents	—	—	1,266,757	1,266,757
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	10,756,404	—	—	10,756,404
Financial investments	—	29	—	29
Prepayments, accrued income and other assets	—	—	84,210	84,210
<b>Total financial assets</b>	<b>10,756,404</b>	<b>29</b>	<b>1,350,967</b>	<b>12,107,400</b>
Total non-financial assets				27,984,459
<b>Total assets</b>				<b>40,091,859</b>
<b>Liabilities</b>				
Loans from other group undertakings	—	—	4,191,328	4,191,328
Financial liabilities designated at fair value	8,671,740	—	—	8,671,740
Accruals, deferred income and other liabilities	—	—	67,713	67,713
<b>Total financial liabilities</b>	<b>8,671,740</b>	<b>—</b>	<b>4,259,041</b>	<b>12,930,781</b>
Total non-financial liabilities				14,384
<b>Total liabilities</b>				<b>12,945,165</b>

	FVPL \$'000	FVOCI \$'000	Amortised cost \$'000	Total \$'000
<b>At 31 Dec 2020</b>				
<b>Assets</b>				
Cash and cash equivalents	—	—	568,466	568,466
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12,423,022	—	—	12,423,022
Prepayments, accrued income and other assets	—	—	127,488	127,488
Financial investments	—	39	—	39
<b>Total financial assets</b>	<b>12,423,022</b>	<b>39</b>	<b>695,954</b>	<b>13,119,015</b>
Total non-financial assets				28,262,870
<b>Total assets</b>				<b>41,381,885</b>
<b>Liabilities</b>				
Loans from other group undertakings	—	—	6,388,071	6,388,071
Financial liabilities designated at fair value	8,726,359	—	—	8,726,359
Accruals, deferred income and other liabilities	—	—	98,904	98,904
<b>Total financial liabilities</b>	<b>8,726,359</b>	<b>—</b>	<b>6,486,975</b>	<b>15,213,334</b>
Total non-financial liabilities				11,066
<b>Total liabilities</b>				<b>15,224,400</b>

## 11 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				
	Carrying amount	Valuation techniques			Total
		Quoted price	Using observable	With significant	
			inputs	unobservable	
	\$'000	Level 1	Level 2	Level 3	\$'000
<b>At 31 Dec 2021</b>					
<b>Liabilities</b>					
Loans from other group undertakings	4,191,328	—	4,414,767	—	4,414,767

	Fair values				
	Carrying amount	Valuation techniques			Total
		Quoted price	Using observable	With significant	
			inputs	unobservable	
	\$'000	Level 1	Level 2	Level 3	\$'000
<b>At 31 Dec 2020</b>					
<b>Liabilities</b>					
Loans from other group undertakings	6,388,071	—	6,484,571	—	6,484,571

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

### 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.

	Nominal interest rate	Maturity date	2021	2020
	%		\$'000	\$'000
HSBC North America Holdings Inc.	4.115	25/05/2023	—	2,030,836
HSBC North America Holdings Inc.	4.95	09/12/2027	2,217,202	2,349,698
HSBC North America Holdings Inc.	4.225	03/08/2023	—	1,777,647
HSBC North America Holdings Inc.	4.968	03/08/2028	1,676,988	1,510,956
HSBC North America Holdings Inc.	LIBOR +1.45	30/10/2025	—	1,004,569
HSBC North America Holdings Inc.	LIBOR +1.68	21/12/2027	1,011,563	1,023,998
HSBC North America Holdings Inc.	LIBOR +1.96	09/12/2027	1,047,181	1,057,222
HSBC North America Holdings Inc.	LIBOR +1.45	27/05/2025	—	851,737
HSBC Bank Canada	CDOR +1.92	05/12/2028	811,066	816,359
HSBC North America Holdings Inc.	1.506	04/06/2025	1,978,057	—
HSBC North America Holdings Inc.	LIBOR +0.50	16/05/2024	250,078	—
HSBC North America Holdings Inc.	2.625	04/06/2032	1,502,233	—
HSBC Private Bank Suisse SA	LIBOR +1.91	18/12/2032	262,036	—
<b>At 31 December</b>			<b>10,756,404</b>	<b>12,423,022</b>

During the year, HSBC North America Holdings Inc repaid loans of \$5,350m to the Company and the Company entered into new loan agreements with HSBC North America Holdings Inc for \$3,750m and HSBC Private Bank Suisse SA for \$250m.

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

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

Fair values were determined 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.

### 13 Prepayments, accrued income and other assets

	2021	2020
	\$'000	\$'000
Amounts due from other group undertakings	84,210	127,488
<b>At 31 Dec</b>	<b>84,210</b>	<b>127,488</b>

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.

### 14 Investments in subsidiaries

#### Movements on investments

	2021	2020
	\$'000	\$'000
<b>Cost</b>		
At 1 Jan	45,625,382	45,272,112
Additions	1,336,892	353,270
Disposals	(2,758,669)	—
<b>At 31 Dec</b>	<b>44,203,605</b>	<b>45,625,382</b>
<b>Provision for impairment</b>		
At 1 Jan	(17,384,237)	(16,230,377)
Impairment loss	—	(1,153,860)
Reversal on impairment	1,153,860	—
<b>At 31 Dec</b>	<b>(16,230,377)</b>	<b>(17,384,237)</b>
<b>Net carrying value at 31st Dec</b>	<b>27,973,228</b>	<b>28,241,145</b>

#### Additions of investments

During the year, HSBC Holdings plc gifted to the company \$1,337m, which was subsequently invested in HSBC Private Banking Holdings (Suisse) SA. (2020: The company received CET1 capital injection of \$353m ((CAD 500m) from HSBC Holdings plc, which was subsequently invested in HSBC Bank Canada)

#### Explanation of other movements

During the year HSBC North America Holdings Inc. distributed \$2,400m and HSBC Private Bank Suisse SA distributed \$359m as a return of capital. Both are wholly owned subsidiaries.

### Impairment testing of investment in subsidiaries

#### Impairment of investments

The carrying amount of investments in subsidiaries are assessed annually for any indication of impairment. Impairment would be recognised where the recoverable amount of the investment is determined to be less than the carrying amount.

Recoverable amount can be determined either by fair value less costs to sell or value in use.

Fair value less costs to sell

For the purpose of determining fair value, management have utilised external third parties to determine the amount they could obtain from the disposal of the assets in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal,

The valuation techniques used, consider the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are incremental costs directly attributable to the disposal of the assets, which would typically include legal costs and other costs necessary to prepare the assets for sale.

#### HSBC North America Holdings Inc. ('HNAH')

Due to HSBC Group's ongoing restructuring and near term strategic intentions for HSBC North America Holdings Inc., fair value less costs to sell is considered appropriate in determining recoverable amount at 31 December 2021. Fair value less costs to sell is calculated as \$22,770m (2020: \$22,730m), representing the aggregation of estimated fair values of all assets and liabilities held in HNAH. This resulted in no impairment being recognised (2020: Nil).

Value in use

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 below process can also be considered in identifying whether an impairment is needed and represents management's best estimate of the factors below:

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**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

**Management's judgement in estimating the cash flows:** The cash flow projections for each subsidiary is based on the latest approved forecast profitability plans and minimal capital levels required to support the business operations of each subsidiary. The cash flow forecasts necessarily and appropriately reflect management's view of future business prospects at the time of the assessment.

### HSBC Bank Canada

HSBC Bank Canada provides banking and financial services. A comparison of carrying amount of \$6,472m (2020: \$7,515m) to value in use of \$12,759m (2020: \$6,472m), calculated using a discount rate of 8.73% (2020: 10.3%) and a growth rate of 1.86% (2020: 1.83%), resulted in an impairment reversal of \$1,043m (2020: \$1,043m impairment charge).

Key assumptions	Change in assumption	Impact on value in use - loss
Discount rate	+ 100 basis points	(\$1,457)m
Nominal growth rate	- 100 basis points	(\$926)m

### HSBC Bank Bermuda Limited

HSBC Bank Bermuda Limited provides banking and financial services. A comparison of carrying amount of \$1,091m (2020: \$1,202m) to value in use of \$1,710m (2020: \$1,091m), calculated using a discount rate of 9.5% (2020: 10.8%) and a growth rate of 1.71% (2020: 1.64%), resulted in an impairment reversal of \$111m (2020: \$111m impairment charge).

Key assumptions	Change in assumption	Impact on value in use - loss
Discount rate	+ 100 basis points	(\$173)m
Nominal growth rate	- 100 basis points	(\$97)m

The principal subsidiary undertakings of the Company as at 31 December 2021 are set out below.

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC North America Holdings Inc.	USA	100.00	Ordinary shares Preferred shares
HSBC Global Services (China) Holdings Limited (formerly HSBC Canada Holdings UK Ltd)	UK	100.00	Ordinary shares
HSBC Bank Canada	Canada	100.00	Ordinary shares Preferred shares
HSBC Bank Bermuda Limited	Bermuda	100.00	Ordinary shares
HSBC Insurance (Bermuda) Limited	Bermuda	100.00	Ordinary shares
HSBC Software Development (Guangdong) Limited	China	100.00	Ordinary shares
Household International Europe Limited	UK	100.00	Ordinary shares
HSBC Private Banking Holdings (Suisse) SA	Switzerland	100.00	Ordinary shares

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set in Note 25.

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

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC North America Holdings Inc.	USA	100.00	Ordinary shares Preferred shares
HSBC Global Services (China) Holdings Limited (formerly HSBC Canada Holdings UK Ltd)	UK	100.00	Ordinary shares
HSBC Bank Canada	Canada	100.00	Ordinary shares Preferred shares
HSBC Bank Bermuda Limited	Bermuda	100.00	Ordinary shares
HSBC Insurance (Bermuda) Limited	Bermuda	100.00	Ordinary shares
HSBC Software Development (Guangdong) Limited	China	100.00	Ordinary shares
Household International Europe Limited	UK	100.00	Ordinary shares

## HSBC Overseas Holdings (UK) Limited

### 15 Loans from other group undertakings

	Nominal interest rate (%)	Maturity date	2021 \$'000	2020 \$'000
HSBC Holdings plc	LIBOR+1.95	31/3/2021	—	600,000
HSBC Holdings plc	LIBOR+2.95	31/5/2026	1,840,000	1,840,000
HSBC Holdings plc	LIBOR+1.44	21/12/2027	1,000,000	1,000,000
HSBC Holdings plc	LIBOR+2.46	30/10/2025	—	1,000,000
HSBC Holdings plc	LIBOR+2.09	27/5/2025	—	850,000
HSBC Holdings plc	CDOR + 1.92	12/05/2028	789,328	786,071
HSBC Holdings plc	LIBOR+2.41	17/12/2022	312,000	312,000
HSBC Holdings plc	LIBOR+1.66	08/18/2032	250,000	—
<b>At 31 Dec</b>			<b>4,191,328</b>	<b>6,388,071</b>

During the year, The Company repaid loans of \$2,450m to HSBC Holdings plc and entered into new loan agreement with HSBC Holdings plc for \$250m

The loans are denominated in US dollars and Canadian dollars and the effective interest based on US dollar LIBOR or CDOR is accrued. The loans are carried at amortised cost. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

### 16 Financial liabilities designated at fair value

#### Fair value hierarchy

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

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

	Nominal interest rate %	Maturity date	2021 \$'000	2020 \$'000
HSBC Holdings plc	4.115	25/05/2023	—	2,030,836
HSBC Holdings plc	4.95	09/12/2027	2,217,202	2,349,698
HSBC Holdings plc	4.968	03/08/2028	1,676,989	1,510,956
HSBC Holdings plc	4.225	03/08/2023	—	1,777,647
HSBC Holdings plc	LIBOR +1.96	09/12/2027	1,047,181	1,057,222
HSBC Holdings plc	2.625	04/06/2032	1,502,233	—
HSBC Holdings plc	1.506	04/06/2025	1,978,057	—
HSBC Holdings plc	LIBOR +0.5	16/05/2024	250,078	—
<b>At 31 Dec</b>			<b>8,671,740</b>	<b>8,726,359</b>

During the year, the Company repaid loans of \$3,500m to HSBC Holdings plc and entered into new loan agreements with HSBC Holdings plc for \$3,750m.

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

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

Fair values were determined 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.

### 17 Accruals, deferred income and other liabilities

	2021 \$'000	2020 \$'000
Amounts owed to other group undertakings	67,713	98,904
<b>At 31 Dec</b>	<b>67,713</b>	<b>98,904</b>

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.

**18 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 \$'000	Due within 3 months \$'000	Due between 3 - 12 months \$'000	Due between 1 - 5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	1,266,757	—	—	—	—	—	1,266,757
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	—	—	—	250,078	10,506,326	—	10,756,404
Prepayments, accrued income and other assets	—	78,389	5,821	—	—	—	84,210
Financial investments	—	—	—	—	—	29	29
Non-financial assets	—	—	11,231	—	—	27,973,228	27,984,459
<b>At 31 Dec 2021</b>	<b>1,266,757</b>	<b>78,389</b>	<b>17,052</b>	<b>250,078</b>	<b>10,506,326</b>	<b>27,973,257</b>	<b>40,091,859</b>
<b>Liabilities and Equity</b>							
Loans from other group undertakings	—	—	312,000	1,840,000	2,039,328	—	4,191,328
Financial liabilities designated at fair value	—	—	—	250,078	8,421,662	—	8,671,740
Accruals and other financial liabilities	—	56,579	11,135	—	—	—	67,713
Non financial liabilities	—	—	—	—	14,384	—	14,384
Equity	—	—	—	—	—	27,146,694	27,146,694
<b>At 31 Dec 2021</b>	<b>—</b>	<b>56,579</b>	<b>323,135</b>	<b>2,090,078</b>	<b>10,475,374</b>	<b>27,146,694</b>	<b>40,091,859</b>

	On demand \$'000	Due within 3 months \$'000	Due between 3 - 12 months \$'000	Due between 1 - 5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	568,466	—	—	—	—	—	568,466
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—	5,664,789	6,758,233	—	12,423,022
Prepayments, accrued income and other assets	—	127,488	—	—	—	—	127,488
Financial investments	—	—	—	—	—	39	39
Non-financial assets	—	—	21,725	—	—	28,241,145	28,262,870
<b>At 31 Dec 2020</b>	<b>568,466</b>	<b>127,488</b>	<b>21,725</b>	<b>5,664,789</b>	<b>6,758,233</b>	<b>28,241,184</b>	<b>41,381,885</b>
<b>Liabilities and Equity</b>							
Loans from other group undertakings	—	600,000	—	2,162,000	3,626,071	—	6,388,071
Financial liabilities designated at fair value	—	—	—	3,808,483	4,917,876	—	8,726,359
Accruals and other financial liabilities	—	98,904	—	—	—	—	98,904
Non financial liabilities	—	—	—	—	11,066	—	11,066
Equity	—	—	—	—	—	26,157,485	26,157,485
<b>At 31 Dec 2020</b>	<b>—</b>	<b>698,904</b>	<b>—</b>	<b>5,970,483</b>	<b>8,555,013</b>	<b>26,157,485</b>	<b>41,381,885</b>

**19 Called up share capital**

			2021	2020
Class of shares	Nominal value per share (£)	Number of Issued and fully paid shares	Issued share capital \$'000	Issued share capital \$'000
Ordinary shares £1 each	1	1,130	1	1
<b>Balance as at 31 Dec</b>		1,130	<b>1</b>	<b>1</b>

Called up share capital is \$1,486 (2020 : \$1,486).

During 2021 no new ordinary shares were issued (2020 : Nil).

**Other equity instruments**

HSBC Overseas Holdings (UK) Limited Additional Tier 1 instruments

		2021	2020
		\$'000	\$'000
CAD25m AT1 - Pref Shares To HGHO CAD250m		188,743	188,743
<b>At 31 Dec</b>		<b>188,743</b>	<b>188,743</b>

**20 Contingent liabilities, contractual commitments and guarantees**

As a part of the acquisition of HSBC Insurance (Bermuda) Limited the Company become liable for the unpaid share premium of \$216m (2020: \$216m) that can be called upon at the discretion of HSBC Insurance (Bermuda) Limited.

There were no other contingent liabilities at 31 December 2021 (2020: nil).

## 21 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 Group Risk Profile Report and Key Management Information (KMI), including dedicated metrics covering each of credit, liquidity and market risk, alongside all other risk types relevant to HSBC, is presented at every Group Risk Management Meeting (GRMM), which are held at least six times per year and are chaired by the Group Chief Risk and Compliance Officer. Exposure to and management of major risks associated with financial instruments is also monitored through the HSBC Holdings Asset and Liability Committee (HALCO).

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

### 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 relates 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. Credit risk arising from default on other loans is not expected to have a material impact on the Company's net assets.

### 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 plus contractual commitments disclosed in Note 20.

	2021		
	Maximum exposure \$'000	Offset \$'000	Net \$'000
Cash and cash equivalents	1,266,757	—	1,266,757
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	10,756,404	—	10,756,404
Prepayments, accrued income and other assets	84,210	—	84,210
Financial investments	29	—	29
<b>At 31 Dec</b>	<b>12,107,400</b>	<b>—</b>	<b>12,107,400</b>

	2020		
	Maximum exposure \$'000	Offset \$'000	Exposure to credit risk (net) \$'000
Cash and cash equivalents	568,466	—	568,466
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12,423,022	—	12,423,022
Prepayments, accrued income and other assets	127,488	—	127,488
Financial investments	39	—	39
<b>At 31 Dec</b>	<b>13,119,015</b>	<b>—</b>	<b>13,119,015</b>

### 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 \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Total \$'000
Loans from other group undertakings	—	27,101	393,075	3,247,511	1,080,632	4,748,319
Financial liabilities designated at fair value	—	66,566	199,698	6,522,631	3,188,322	9,977,217
<b>At 31 Dec 2021</b>	<b>—</b>	<b>93,667</b>	<b>592,773</b>	<b>9,770,142</b>	<b>4,268,954</b>	<b>14,725,536</b>



## HSBC Overseas Holdings (UK) Limited

	On Demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Total \$'000
Loans from other group undertakings	—	640,508	111,894	2,718,591	3,743,524	7,214,517
Financial liabilities designated at fair value	—	90,086	270,259	4,548,894	4,901,943	9,811,182
At 31 Dec 2020	—	730,594	382,153	7,267,485	8,645,467	17,025,699

### 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

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

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

The Company's profit before tax would decrease by \$1.1m and profit after tax \$0.9m (2020: profit before tax decrease by \$1.5m, profit after tax \$1.2m) if the Euros and Canadian dollar 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: Euro and Canadian dollar 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 liabilities of \$885m (2020: \$2,184m) 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 liabilities would be a (decrease)/increase of profit before tax of \$9m (2020: \$22m) and after tax of \$7m (2020: \$17m).

## 22 Related party transactions

### Transactions with other related parties

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

	2021		2020	
	Highest balance during the year \$'000	Balance at 31 December \$'000	Highest balance during the year \$'000	Balance at 31 December \$'000
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	1,326,629	1,266,757	568,466	568,466
Loans and advances to other group undertakings <sup>1,2</sup>	—	—	650,000	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss <sup>2</sup>	12,379,971	10,756,404	12,423,022	12,423,022
Prepayments, accrued income and other assets <sup>2</sup>	324,335	84,210	326,626	127,488
Financial investments <sup>1</sup>	42	29	42	38.72
<b>Liabilities</b>				
Loans from other group undertakings <sup>3</sup>	6,388,071	4,191,328	6,971,243	6,388,071
Financial liabilities designated at fair value	8,886,255	8,671,740	8,726,359	8,726,359
Accruals, deferred income and other liabilities	173,891	67,713	199,631	98,904

The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

	2021 \$'000	2020 \$'000
<b>Income statement</b>		
Interest income <sup>1,2</sup>	340,370	447,023
Interest expense <sup>3</sup>	(412,458)	(561,144)
Dividend income <sup>2</sup>	697,727	431,397

1 These balances are with other related parties comprising of other HSBC Group Companies which are neither a parent nor subsidiary of the Company.

2 These balances are with subsidiaries of the Company.

3 These balances are with the parent 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.

## 23 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.

HSBC Holdings plc is incorporated in England and Wales.

## **HSBC Overseas Holdings (UK) Limited**

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

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

### **24 Events after the balance sheet date**

The Company received dividends of \$166m (February 2022) and \$80m (April 2022) from HSBC Bank Canada.

The Company received dividends of \$21m (February 2022) and \$72m (May 2022) from HSBC Bermuda Bank Limited

The Company received dividends of \$20m (March 2022) and \$150m (June 2022) from HSBC Insurance (Bermuda) Limited

The Company received dividends of \$56m (April 2022) from HSBC North America Holdings Inc.

The Company declared and paid a dividend of \$501m (February 2022), \$271m (March 2022) and \$347m (June 2022) to HSBC Holdings plc.

In March 2022, The Company received a return of capital of CAD 600m from its subsidiary, HSBC Bank Canada and concurrently return CAD 600m to its parent, HSBC Holdings plc.

In January 2022, The Company recorded a return of capital of CHF 100m from its subsidiary, HSBC Private Banking Holdings (Suisse) SA.

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

## HSBC Overseas Holdings (UK) Limited

### 25 HSBC Overseas Holdings (UK) Limited's subsidiaries, joint venture and associates

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2021 is disclosed below.

Subsidiaries	Interest (%)	Footnotes	Subsidiaries	Interest (%)	Footnotes
Banco Nominees Limited	100.00 %	1,14	HSBC Global Asset Management (USA) Inc.	100.00 %	2,26
Capco/Cove, Inc.	100.00 %	2,9	HSBC Global Services (Canada) Limited	100.00 %	1,23
Card-Flo #1, Inc.	100.00 %	2,7	HSBC Global Services (China) Holdings Limited	100.00 %	1,27
Card-Flo #3, Inc.	100.00 %	2,7	HSBC Institutional Trust Services (Bermuda) Limited	100.00 %	2,8
CC&H Holdings LLC	100.00 %	3,10	HSBC Insurance (Bermuda) Limited	100.00 %	1,28
Cordico Management AG in Liquidation (In Liquidation)	100.00 %	1,11	HSBC Insurance Agency (USA) Inc.	100.00 %	2,26
Decision One Mortgage Company, LLC	100.00 %	3,12	HSBC International Finance Corporation (Delaware)	100.00 %	2,29
Giller Ltd.	100.00 %	2,9	HSBC Investment Funds (Canada) Inc.	100.00 %	2,30
GPIF Co-Investment, LLC	8,000.00 %	3,7	HSBC Markets (USA) Inc.	100.00 %	1,7
HFC Bank Limited (In Liquidation)	100.00 %	1,13	HSBC Mortgage Corporation (Canada)	100.00 %	2,31
Household International Europe Limited (In Liquidation)	100.00 %	1,14	HSBC Mortgage Corporation (USA)	100.00 %	2,7
Household Pooling Corporation	100.00 %	2,15	HSBC North America Holdings Inc.	100.00 %	2,3, 7
HSBC Americas Corporation (Delaware)	100.00 %	2,7	HSBC Overseas Investments Corporation (New York)	100.00 %	2,32
HSBC BANK (CHILE)	100.00 %	1,17	HSBC Portfoy Yonetimi A.S.	100.00 %	1,33
HSBC Bank A.S.	100.00 %	1,18	HSBC Private Bank (Luxembourg) S.A.	100.00 %	1,34
HSBC Bank Bermuda Limited	100.00 %	2,8	HSBC Private Bank (Suisse) SA	100.00 %	1,35
HSBC Bank Canada	100.00 %	2,19	HSBC Private Banking Holdings (Suisse) SA	100.00 %	1,36
HSBC Bank USA, National Association	100.00 %	2,20	HSBC Private Investment Counsel (Canada) Inc.	100.00 %	1,30
HSBC Canadian Covered Bond (Legislative) GP Inc.	100.00 %	4,21	HSBC Realty Credit Corporation (USA)	100.00 %	2,7
HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership	99.99 %	4,21	HSBC Securities (Canada) Inc.	100.00 %	2,23
HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership	99.99 %	4,21	HSBC Securities (Egypt) S.A.E. (In Liquidation)	100.00 %	1,37
HSBC Capital (USA), Inc.	100.00 %	2,7	HSBC Securities (USA) Inc.	100.00 %	2,7
HSBC Card Services Inc.	100.00 %	2,7	HSBC Securities Services (Bermuda) Limited	100.00 %	2,8
HSBC Cayman Limited	100.00 %	1,22	HSBC Services USA Inc.	100.00 %	2,38
HSBC Cayman Services Limited	100.00 %	1,22	HSBC Software Development (Guangdong) Limited	100.00 %	5,39
HSBC Columbia Funding, LLC	100.00 %	3,7	HSBC Technology & Services (China) Limited	100.00 %	5,40
HSBC Finance Corporation	100.00 %	2,7	HSBC Technology & Services (USA) Inc.	100.00 %	2,7
HSBC Finance Mortgages Inc.	100.00 %	2,23	HSBC Trust Company (Canada)	100.00 %	2,31
HSBC Financial Services (Lebanon) s.a.l.	99.65 %	1,24	HSBC Trust Company (Delaware), National Association	100.00 %	1,29
HSBC Financial Services (Uruguay) S.A. (In Liquidation)	100.00 %	1,25	HSBC Trust Company AG in Liquidation (In Liquidation)	100.00 %	1,11
HSBC Global Asset Management (Bermuda) Limited	100.00 %	2,8	HSBC USA Inc.	100.00 %	2,32
HSBC Global Asset Management (Canada) Limited	100.00 %	2,19	HSBC Ventures USA Inc.	100.00 %	1,7
HSBC Yatirim Menkul Degerler A.S.	100.00 %	1,33	Sico Limited	100.00 %	1,41
HSI Asset Securitization Corporation	100.00 %	2,7	Somers Nominees (Far East) Limited	100.00 %	2,8
MIL (Cayman) Limited	100.00 %	1,22	Tasfiye Halinde HSBC Odeme Sistemleri Bilgisayar Teknolojileri Basın Yayın Ve Musteri Hizmetleri (In Liquidation)	100.00 %	1,18
R/CLIP Corp.	100.00 %	2,7	Tropical Nominees Limited	100.00 %	1,22
Real Estate Collateral Management Company	100.00 %	1,7	Westminster House, LLC	100.00 %	3,7
Woodex Limited	100.00 %	2,8			
Joint Venture	Interest (%)	Footnotes	Associates	Interest (%)	Footnotes
ProServe Bermuda Limited	50.00 %	2,42	Icon Brickell LLC (in liquidation)	24.90 %	3,43
			The London Gold Market Fixing Limited	25.00 %	6,44

## HSBC Overseas Holdings (UK) Limited

Reference	Description of Shares
1	Ordinary Shares
2	Common Share
3	LLC, no shares
4	LP, no shares
5	Registered Capital Shares
6	Limited by guarantee

Reference	Registered Office
7	c/o The Corporation Trust Company 1209 Orange Street, Wilmington, Delaware, United States Of America, 19801
8	37 Front Street, Hamilton, Bermuda, HM 11
9	95 Washington Street Buffalo, New York, United States Of America, 14203
10	Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, United States Of America, 19808
11	Bederstrasse 49 , Zurich, Switzerland, CH-8002
12	160 Mine Lake CT, Ste 200, Raleigh, North Carolina, United States Of America, 27615-6417
13	156 Great Charles Street, Queensway, Birmingham, West Midlands, United Kingdom, B3 3HN
14	Hill House 1 Little New Street, London, United Kingdom, EC4A 3TR
15	The Corporation Trust Company of Nevada 311 S. Division Street, Carson City, Nevada, United States Of America, 89703
16	Corporation Service Company 2711 Centerville Road, Suite 400, Wilmington, Delaware, United States Of America, 19808
17	Isidora Goyenechea 2800 23rd floor, Las Condes, Santiago, Chile, 7550647
18	Esentepe mah. Büyükdere Caddesi No.128, Istanbul, Turkey, 34394
19	885 West Georgia Street 3rd Floor, Vancouver, British Columbia, Canada, V6C 3E9
20	1800 Tysons Boulevard Suite 50, Tysons, Virginia, United States Of America, 22102
21	66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada, M5K 1E6
22	P.O. Box 1109, Strathvale House, Ground floor, 90 North Church Street , George Town, Grand Cayman, Cayman Islands, KY1-1102
23	16 York Street, 6th Floor, Toronto, Ontario, Canada, M5J 0E6
24	Centre Ville 1341 Building - 4th Floor Patriarche Howayek Street (facing Beirut Souks), PO Box Riad El Solh, Lebanon, 9597
25	World Trade Center Montevideo Avenida Luis Alberto de Herrera 1248, Torre 1, Piso 15, Oficina 1502, Montevideo, Uruguay, CP 11300
26	452 Fifth Avenue , New York, United States Of America, NY10018
27	8 Canada Square, London, United Kingdom, E14 5HQ
28	22 Smith Street, St Peter Port, Guernsey
29	300 Delaware Avenue Suite 1401, Wilmington, Delaware, United States Of America, 19801
30	300-885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E9
31	885 West Georgia Street Suite 300, Vancouver, British Columbia, Canada, V6C 3E9
32	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, Maryland, United States Of America, 21093
33	Büyükdere Cad. No.128 D Blok Esentepe Sisli Istanbul, Turkey
34	16 Boulevard d'Avranches, Luxembourg, Luxembourg, L-1160
35	Quai des Bergues 9-17, Geneva, Switzerland, 1201
36	Quai des Bergues 9-17 , Geneva, Switzerland, 1201
37	306 Corniche El Nil , Maadi, Egypt, 11728
38	C T Corporation System 820 Bear Tavern Road, West Trenton, New Jersey, United States Of America, 08628
39	L22, Office Tower 2, Taikoo Hui, 381 Tianhe Road, Tianhe District, Guangzhou, Guangdong, China
40	Level 19, HSBC Building, Shanghai ifc 8 Century Avenue Pudong, Shanghai, China
41	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 3162
42	c/o MUFG Fund Services (Bermuda) Limited The Belvedere Building, 69 Pitts Bay Road, Pembroke, Bermuda, HM08
43	C T Corporation System 1200 South Pine Island Road Plantation, Florida, United States Of America, 33324
44	c/o Hackwood Secretaries Limited One Silk Street, London, United Kingdom, EC2Y 8HQ