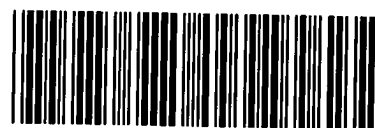


# **HSBC Overseas Holdings (UK) Limited**

**Registration No:1656361**

**Annual Report and Financial Statements for the year ended  
31 December 2022**

WEDNESDAY



\*AC739XAG\*

A23

05/07/2023

#74

COMPANIES HOUSE

# **Annual Report and Financial Statements for the year ended 31 December 2022**

## **Contents**

	<b>Page</b>
Strategic Report	<b><u>1</u></b>
Report of the Directors	<b><u>3</u></b>
Independent auditors' report to the members of HSBC Overseas Holdings (UK) Limited	<b><u>5</u></b>
Income statement	<b><u>7</u></b>
Statement of comprehensive income	<b><u>8</u></b>
Balance sheet	<b><u>9</u></b>
Statement of cash flows	<b><u>10</u></b>
Statement of changes in equity	<b><u>11</u></b>
Notes on the financial statements	<b><u>12</u></b>

## 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 2022, 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 2022 were \$4,652m (2021: \$5,318m).

Dividends of \$3,832m were declared and paid during the year (2021: \$2,085m).

### Performance

The performance and position of the Company for the year ended 31 December 2022 and the state of the Company's financial affairs at that date are set out on pages 7 to 27.

The net asset value of the Company as at 31 December 2022 was \$26,486m (2021: \$27,147m).

The results of the Company show a profit before tax of \$3,201m for the year (2021: \$1,752m). This is primarily driven by reversal of impairment on investment in HSBC North America Holdings Inc (HNAH) of \$2,495m during the year.

On 29 November 2022, the Company entered into an agreement for the planned sale of its banking business in Canada ('HSBC Bank Canada') to Royal Bank of Canada ('RBC') under which RBC will acquire 100% of the issued common equity of HSBC Bank Canada for a base cash consideration of CAD13.5bn. In addition, RBC will acquire all the preferred shares and the outstanding subordinated debt issued by HSBC Bank Canada. An estimated gain on sale of \$3.7bn will be recognised on completion of the transaction, which was originally expected to complete in late 2023 (subject to regulatory and governmental approvals). As at 31 December 2022, the investments in HSBC Bank Canada were classified as held for sale in accordance with IFRS 5. We now expect the transaction to complete in the first quarter of 2024 and continue to classify the investments as held for sale.

The Company received the following dividends from other Group undertakings:

	2022 \$'000	2021 \$'000
<b>Dividends from ordinary shares</b>		
HSBC Software Development (Guangdong) Limited	60,253	50,152
HSBC Insurance (Bermuda) Limited	170,000	—
HSBC Bank Bermuda Limited	170,000	132,000
HSBC Bank Canada	298,476	347,072
	<b>698,729</b>	<b>529,224</b>
<b>Dividends from preference shares</b>		
HSBC North America Holdings Inc.	111,933	132,307
HSBC Bank Canada	39,497	36,197
	<b>151,430</b>	<b>168,504</b>

### Section 172 statement

Section 172 of the Companies Act 2006 requires a directors of a company to act in the way they consider, 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 directors 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 principal decisions taken by the company during the year were:

- The Company entered into an agreement for the planned sale of its banking business HSBC Bank Canada (HBCA) to Royal Bank of Canada with an estimated gain on sale of \$3.7bn to be recognised on completion of transaction in the first quarter of 2024.
- The Company declared and paid dividends of \$3.8bn during 2022 to its holding company.

In making the decisions, the Board took into consideration the long-term interests of the Company and the interests of the Group as a whole. For the dividends, the consideration included the profits available for distribution, the dividend policy and the capital position.

### 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.

## HSBC Overseas Holdings (UK) Limited

### Key performance indicators

As the Company is managed as part of HSBC Group, 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 22 on the financial statements.

The Company has entered into FX forwards to hedge the risk of adverse changes in CAD/USD exchange rates on the expected cash consideration of CAD13.5bn to be received from the planned sale of its banking business in Canada (please see Note 8 "Derivatives" to 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(b) 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 capital or debt obtained from the parent Company.

On behalf of the Board



J Bingham  
Director

29 June 2023

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:

<b>Name</b>	<b>Appointed</b>
J Bingham	1 July 2020
R Boyns	1 July 2020
Braulio N. Villela	29 July 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 \$3,832m were declared and paid during the year (2021: \$2,085m).

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

In November 2022, we announced the planned sale of our banking business in Canada which was originally expected to complete in late 2023 (subject to regulatory and governmental approvals). As at 31 December 2022, the investments in HSBC Bank Canada were classified as held for sale in accordance with IFRS 5. We now expect the transaction to complete in the first quarter of 2024 and continue to classify the investments as held for sale.

In relation to the hedging arrangements to mitigate the foreign exchange risk on the consideration of CAD13.5bn in relation to the planned sale of the banking business in Canada, post year end we transacted deal contingent overlays for CAD6bn and converted CAD3bn of the CAD9bn designated in a qualifying fair value hedging relationship to deal contingent FX forwards. Currently we have CAD7.5bn deal contingent FX forwards, CAD6bn designated in a qualifying fair value hedging relationship and CAD6bn deal contingent overlays. This hedging arrangement is intended to protect the Company from potential losses on the FX hedges in the event that the planned sale does not complete.

The Company received ordinary dividends from HSBC Bermuda Bank Limited (\$74m).

The Company received preference dividends from HSBC North America Holdings Inc. (\$56m) and HSBC Bank Canada (\$28m).

The Company paid preference dividends of \$4.6m 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, capital requirements and capital resources.

### **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 22 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 the Company's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

### **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.

### **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 the financial statements in accordance with UK-adopted international accounting standards.

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards 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 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 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



J Bingham  
Director  
29 June 2023

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 2022 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 and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; 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 2022 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 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.
- challenging estimates and judgements made by management in their accounting estimates;
- reviewing minutes of meetings of those charged with governance; and
- review of the financial statement disclosures to underlying supporting documentation.

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/](http://www.frc.org.uk/) auditors responsibilities. 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  
29 June 2023



# Financial statements

## Income statement for the year ended 31 December 2022

	Notes	2022 \$'000	2021 \$'000
Interest income		8,005	—
Interest expense	23	(457,384)	(412,458)
<b>Net interest expense</b>		<b>(449,379)</b>	<b>(412,458)</b>
Net income from financial instruments held for trading or managed on a fair value basis	2	(21,752)	(952)
Changes in fair value of long-term debt	2	993,928	292,244
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	(665,641)	22,023
Gains less losses from investments in subsidiaries		37,081	—
Dividend income	23	850,159	697,728
<b>Net operating income before loan impairment charges and other credit risk provision</b>		<b>744,396</b>	<b>598,585</b>
<b>Net operating income</b>		<b>744,396</b>	<b>598,585</b>
General and administrative expenses		(3,465)	(44)
Net reversal of impairment of subsidiaries	15	2,460,493	1,153,860
<b>Total operating (expense)/income</b>		<b>2,457,028</b>	<b>1,153,816</b>
<b>Operating profit</b>		<b>3,201,424</b>	<b>1,752,401</b>
<b>Profit before tax</b>		<b>3,201,424</b>	<b>1,752,401</b>
Tax credit/(expense)	6	6,802	(15,238)
<b>Profit for the year</b>		<b>3,208,226</b>	<b>1,737,163</b>

## HSBC Overseas Holdings (UK) Limited

### Statement of comprehensive income for the year ended 31 December 2022

	2022	2021
	\$'000	\$'000
Profit for the year	3,208,226	1,737,163
<b>Items that will not be reclassified subsequently to profit or loss</b>		
- fair value losses	(27)	(10)
<b>Other comprehensive expense for the year, net of tax</b>	(27)	(10)
<b>Total comprehensive income for the year</b>	<b>3,208,199</b>	<b>1,737,153</b>

# HSBC Overseas Holdings (UK) Limited

## Balance sheet at 31 December 2022

Registration No: 1656361

		2022	2021
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		322,870	1,266,757
Derivatives	8	24,818	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12	8,315,673	10,756,404
Financial investments		2	29
Prepayments, accrued income and other assets	13	79,185	84,210
Current tax assets	6	16,047	11,231
Investments in subsidiaries	15	20,918,732	27,973,228
Assets held for sale	14	7,870,042	—
<b>Total assets</b>		<b>37,547,369</b>	<b>40,091,859</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Loans from other Group undertakings	16	2,827,327	4,191,328
Financial liabilities designated at fair value	17	8,062,040	8,671,740
Derivatives	8	84,376	—
Accruals, deferred income and other liabilities	18	84,086	67,713
Deferred tax liabilities	7	3,749	14,384
<b>Total liabilities</b>		<b>11,061,578</b>	<b>12,945,165</b>
<b>Equity</b>			
Called up share capital	20	1	1
Share premium account		21,639,879	21,639,879
Other equity instruments	20	188,743	188,743
Other reserves		978,807	1,690,103
Retained earnings		3,678,361	3,627,968
<b>Total equity</b>		<b>26,485,791</b>	<b>27,146,694</b>
<b>Total liabilities and equity</b>		<b>37,547,369</b>	<b>40,091,859</b>

The financial statements and its accompanying notes on pages 12 to 27 were approved by the Board of Directors on 29 June 2023 and signed on its behalf by:



J Bingham  
Director

# HSBC Overseas Holdings (UK) Limited

## Statement of cash flows for the year ended 31 December 2022

		2022	2021
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		3,201,424	1,752,401
Adjustments for:			
Non-cash items included in profit before tax			
- Impairment (reversal)/charge of investment in subsidiaries	15	(2,460,493)	(1,153,860)
- Fair value movements		30,343	15,255
Change in operating assets			
- Change in prepayment, accrued income and other assets		(17,051)	32,091
- Change in derivative assets	8	(24,818)	—
Change in operating liabilities			
- Change in accruals, deferred income and other liabilities		16,373	(31,191)
- Change in derivative liabilities	8	84,376	—
Net (gain) from investing activities		(37,081)	—
Foreign Exchange movements on investments (held for sale)		(37,705)	—
Tax credit received		13,425	9,764
<b>Net cash generated from operating activities</b>		<b>768,793</b>	<b>624,460</b>
<b>Cash flows from investing activities</b>			
Net loans and advances from other Group undertakings designated and otherwise mandatorily measured at fair value		625,000	1,350,000
Net cash inflow/(outflow) from investments in subsidiaries	15	—	(1,336,891)
Repayment of Capital from Subsidiaries		2,468,422	2,758,667
<b>Net cash generated from investing activities</b>		<b>3,093,422</b>	<b>2,771,776</b>
<b>Cash flows from financing activities</b>			
Loans repayments to other Group undertakings	16	(1,312,000)	(2,200,000)
Loans from other Group undertakings designated at fair value	17	375,000	250,000
Capital Contribution		—	1,336,891
Dividends paid		(3,832,021)	(2,084,836)
Foreign exchange realised loss on capital repayment		(37,081)	—
<b>Net cash used in financing activities</b>		<b>(4,806,102)</b>	<b>(2,697,945)</b>
Net (decrease)/increase in cash and cash equivalents		(943,887)	698,291
Cash and cash equivalents as at 1 January		1,266,757	568,466
Cash and cash equivalents as at 31 December		322,870	1,266,757
<b>Cash and cash equivalents comprise</b>			
Cash at bank with HSBC Group undertakings		322,870	1,266,757

### Interest and dividend received/paid

		2022	2021
		\$'000	\$'000
<b>Interest and dividends</b>			
Interest paid		(444,481)	(443,637)
Interest received		351,065	367,120
Dividends received		839	703,068

## HSBC Overseas Holdings (UK) Limited

### Statement of changes in equity for the year ended 31 December 2022

	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 2022</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>
Profit for the year	—	—	—	3,208,226	—	—	3,208,226
Other comprehensive losses (net of tax)							
- equity instruments designated at fair value through other comprehensive income	—	—	—	—	(27)	—	(27)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,208,226</b>	<b>(27)</b>	<b>—</b>	<b>3,208,199</b>
Dividends to shareholders	—	—	—	(3,120,752)	—	(711,269)	(3,832,021)
Other movements <sup>1</sup>	—	—	—	(37,081)	—	—	(37,081)
<b>At 31 Dec 2022</b>	<b>1</b>	<b>21,639,879</b>	<b>188,743</b>	<b>3,678,361</b>	<b>(85)</b>	<b>978,892</b>	<b>26,485,791</b>
<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 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>
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>

1 Foreign exchange realised loss on the capital repayment to its parent.

#### Financial assets at FVOCI reserve

This Reserve is not distributable as it is not readily realisable.

#### Capital Contribution Reserve

During the year 2022, the Company paid dividends of \$711m to its parent, HSBC Holdings plc out of the capital contribution reserve (2021: the Company received a gift of \$1,337m from HSBC Holdings plc).

#### Dividend per share

Dividend per ordinary share issued for the year was \$3.4m (2021: \$1.8m).

#### Other equity instruments

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 27 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 to comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2022 affecting the Company's financial statements.

Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Company in 2022. Accounting policies have been consistently applied.

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

Minor amendments to IFRSs

The IASB has not published any minor amendments effective from 1 January 2022 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024. 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 which are effective from 1 January 2022 that are expected to 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. The consolidated financial statements of the ultimate parent company, HSBC Holdings plc, are available at [www.hsbc.com](http://www.hsbc.com).

##### **(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.

#### **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.

However, as an exception to this, interest on debt instruments issued by HSBC for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

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 payment is established.

## HSBC Overseas Holdings (UK) Limited

### (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	Estimates
<ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>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.</li><li>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.</li><li>Key assumptions used in estimating impairment in subsidiaries are described in Note 15.</li></ul>

Impairment is reversed only when there has been a change in the estimates used to determine the value in use since the last impairment loss was recognised, and management can rely upon those estimates with reasonable certainty.

### (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, is closed out, the valuation inputs become observable or 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 10, '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 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. Dividends from such investments are recognised in profit or loss. 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.

## HSBC Overseas Holdings (UK) Limited

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

Financial instruments 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 financial 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 financial 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 through profit or loss or 'change in fair value of long-term debt'.

### (g) Derivatives

#### Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. HSBC uses these derivatives or, where allowed, other non derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

#### Fair value hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

#### Derivatives that do not qualify for hedge accounting

Non-qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied.

### (h) 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 as 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 in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, management consider the availability of evidence to support the recognition of deferred tax assets taking into account the inherent risks in long-term forecasting and drivers of recent history of tax losses where applicable. We also consider the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

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

### (i) 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.

### (j) Non-current assets and disposal groups held for sale

The Company classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.



## HSBC Overseas Holdings (UK) Limited

Held for sale assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5. If the carrying amount of the non-current asset (or disposal group) is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement. This first reduces the carrying amount of any goodwill allocated to the disposal group, and then to the other non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. Thereafter, any impairment loss in excess of the carrying value of the non-current assets in scope of IFRS 5 for measurement is recognised against the total assets of the disposal group.

### Critical accounting judgements

The classification as held for sale depends on certain judgements:

#### Judgements

- Management judgement is required in determining whether the IFRS 5 held for sale criteria are met, including whether a sale is highly probable and expected to complete within one year of classification. The exercise of judgement will normally consider the likelihood of successfully securing any necessary regulatory approvals which are almost always required for sales of banking businesses. For large and complex plans judgement will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for nonperformance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods.

### (j) 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.

### (k) 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

	2022 \$'000	2021 \$'000
<b>Net income arising on:</b>		
Net income from financial instruments held for trading or managed on a fair value basis	(21,752)	(952)
Changes in fair value of long-term debt	993,928	292,244
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	(665,641)	22,023
<b>Year ended 31 Dec</b>	<b>306,535</b>	<b>313,315</b>

## 3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2021: nil).

## 4 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2021: 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.

## 5 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 \$38k (2021: \$39k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2021: nil).

## HSBC Overseas Holdings (UK) Limited

### 6 Tax

#### Tax (credit)/expense

	2022 \$'000	2021 \$'000
<b>Current tax</b>		
- For this year	(16,047)	(16,126)
- Adjustments in respect of prior years	(2,928)	4,482
<b>Overseas tax</b>		
- For this year	22,808	23,564
<b>Total current tax</b>	<b>3,833</b>	<b>11,920</b>
<b>Deferred tax</b>		
- For this year	(5,765)	(581)
- Effects of changes in tax rates	(1,821)	3,452
- Adjustments in respect of prior years	(3,049)	447
<b>Total deferred tax</b>	<b>(10,635)</b>	<b>3,318</b>
<b>Year ended 31 Dec</b>	<b>(6,802)</b>	<b>15,238</b>

The UK corporation tax rate applying to the Company was 19.00% (2021: 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 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 25%).

#### Tax reconciliation

	2022		2021	
	\$'000	(%)	\$'000	(%)
Profit before tax	3,201,424		1,752,401	
Tax at 19.00% (2021: 19.00%)	608,271	19.00	332,956	19.00
Adjustment in respect of prior years	(2,928)	(0.09)	4,482	0.26
Expenses not deductible	6,537	0.20	471	0.03
Adjustments in respect of share-based payments	(3,049)	(0.10)	447	0.03
Non-taxable income and gains	(636,069)	(19.87)	(351,802)	(20.08)
Tax rate change	(1,821)	(0.06)	3,452	0.20
Effects of overseas tax rules	22,257	0.70	23,204	1.32
<b>Year ended 31 Dec</b>	<b>(6,802)</b>	<b>(0.21)</b>	<b>15,238</b>	<b>0.87</b>

### 7 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:

	2022 \$'000	2021 \$'000
At 1 Jan	14,384	11,066
Income statement (credit)/charge	(10,635)	3,318
<b>At 31 Dec</b>	<b>3,749</b>	<b>14,384</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 \$158m and gross deferred tax assets of \$154m.

Potential deferred tax assets of \$5,364k (2021: \$5,505k) in relation to capital losses and \$5k (2021: \$5k) in relation to excess management expenses have not been recognised.

### 8 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held by the Company

	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading \$'000	Hedging \$'000	Trading \$'000	Hedging \$'000	Total \$'000	Trading \$'000	Hedging \$'000	Total \$'000
Foreign exchange	3,341,567	6,635,945	24,818	—	24,818	56,957	27,419	84,376
Gross total fair values	3,341,567	6,635,945	24,818	—	24,818	56,957	27,419	84,376

On 29 November 2022, the Company entered into an agreement for the planned sale of its banking business in Canada for a cash consideration of CAD13.5bn. The Company subsequently entered into hedging arrangements to mitigate the foreign exchange risk for a notional amount of CAD13.5bn, of which CAD9bn were designated in qualifying fair value hedging relationship and CAD4.5bn were deal contingent FX forwards.

#### Hedge accounting derivatives

The company applied hedge accounting to manage the foreign exchange risk as stated above.

## HSBC Overseas Holdings (UK) Limited

### Hedging instrument by hedged risk

	Hedging Instrument			
	Carrying amount		Balance sheet presentation	Change in fair value <sup>2</sup>
	Notional amount <sup>1</sup>	Assets	Liabilities	
	\$'000	\$'000	\$'000	\$'000
Foreign currency	6,635,945	—	27,419	Derivatives (37,705)
<b>At 31 Dec 2022</b>	<b>6,635,945</b>	<b>—</b>	<b>27,419</b>	<b>(37,705)</b>

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

2 Used in effectiveness testing; comprising the component hedging the risk.

### Hedged item by hedged risk

	Hedged Item		In-effectiveness	
	Carrying amount	Accumulated fair value hedge adjustments included in carrying amount	Change in fair value	Recognised in profit and loss
	Assets	Assets	Balance sheet presentation	Profit and loss presentation
	\$'000	\$'000	\$'000	\$'000
Hedged Risk				
Foreign currency	6,255,669	37,705	Assets held for sale	37,705
				Net income from financial instruments held for trading or managed on

## 9 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	FVOCI	Amortised cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 31 Dec 2022</b>				
<b>Assets</b>				
Cash and cash equivalents	—	—	322,870	322,870
Derivatives	24,818	—	—	24,818
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	8,315,673	—	—	8,315,673
Financial investments	—	2	—	2
Prepayments, accrued income and other assets	—	—	79,185	79,185
<b>Total financial assets</b>	<b>8,340,491</b>	<b>2</b>	<b>402,055</b>	<b>8,742,548</b>
Assets held for sale	—	—	—	7,870,042
<b>Total non-financial assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,934,779</b>
<b>Total assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37,547,369</b>
<b>Liabilities</b>				
Loans from other group undertakings	—	—	2,827,327	2,827,327
Financial liabilities designated at fair value	8,062,040	—	—	8,062,040
Derivatives	84,376	—	—	84,376
Accruals, deferred income and other liabilities	—	—	84,086	84,086
<b>Total financial liabilities</b>	<b>8,146,416</b>	<b>—</b>	<b>2,911,413</b>	<b>11,057,829</b>
Total non-financial liabilities	—	—	—	3,749
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,061,578</b>
<b>At 31 Dec 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</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 and accrued income	—	—	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>—</b>	<b>—</b>	<b>—</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>—</b>	<b>—</b>	<b>—</b>	<b>12,945,165</b>

## 10 Fair values of financial instruments carried at fair value

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.

### Financial instruments carried at fair value and bases of valuation

	Valuation techniques			Total \$'000
	Level 1 - quoted market price \$'000	Level 2 - using observable inputs \$'000	Level 3 - with significant non- observable inputs \$'000	
<b>At 31 Dec 2022</b>				
<b>Assets</b>				
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	—	8,315,673	—	8,315,673
Derivatives	—	68	24,750	24,818
<b>Liabilities</b>				
Loans from other group undertakings designated fair value	—	8,062,040	—	8,062,040
Derivatives	—	86	84,290	84,376
<b>At 31 Dec 2021</b>				
<b>Assets</b>				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	10,756,404	—	10,756,404
<b>Liabilities</b>				
Loans from other group undertakings designated fair value	—	8,671,740	—	8,671,740

#### Loans and advances to/from group undertakings

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.

#### Derivatives

Over the Counter (OTC) derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

### Movement in Level 3 financial instruments

	Assets	Liabilities
	Derivatives \$'000	Derivatives \$'000
At 1 Jan 2022	—	—
Settlements	24,750	84,290
At 31 Dec 2022	24,750	84,290

### Sensitivity of fair values to reasonably possible alternative assumptions by instrument type

	Reflected in profit or loss	
	Favourable changes \$'000	Unfavourable changes \$'000
At 31 Dec 2022		
Derivatives	—	18,562
Total	—	18,562

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

## HSBC Overseas Holdings (UK) Limited

### Quantitative information about significant unobservable inputs in Level 3 valuations

The following table lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs at 31 December 2022.

	Fair value		Valuation technique	Key unobservable inputs	Full range of inputs	
	Assets	Liabilities			Lower	Higher
	\$'000	\$'000			%	%
At 31 Dec 2022						
Foreign exchange derivatives	24,750	84,290				
– FX-Others	24,750	84,290	Market Proxy	Probability of deal completion	0	100
Total Level 3	24,750	84,290				

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

#### Fair value hierarchy

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					Total \$'000
	Valuation techniques					
	Carrying amount \$'000	Quoted price Level 1 \$'000	Using observable inputs Level 2 \$'000	With significant unobservable inputs Level 3 \$'000		
At 31 Dec 2022						
Liabilities						
Loans from other group undertakings	2,827,327	—	2,951,259	—	2,951,259	
At 31 Dec 2021						
Liabilities						
Loans from other group undertakings	4,191,328	—	4,414,767	—	4,414,767	

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

	Nominal interest rate %	Maturity date	2022 \$'000	2021 \$'000
HSBC North America Holdings Inc.	4.95	09/12/2027	1,958,399	2,217,202
HSBC North America Holdings Inc.	4.968	03/08/2028	1,460,550	1,676,988
HSBC North America Holdings Inc. <sup>1</sup>	SOFR +1.68	21/12/2027	—	1,011,563
HSBC North America Holdings Inc.	SOFR +1.96	09/12/2027	1,017,804	1,047,181
HSBC North America Holdings Inc. <sup>1</sup>	6.215	09/12/2029	501,725	—
HSBC North America Holdings Inc.	1.506	04/06/2025	1,810,218	1,978,057
HSBC North America Holdings Inc. <sup>1</sup>	SOFR +0.50	16/05/2024	—	250,078
HSBC North America Holdings Inc.	2.625	04/06/2032	1,180,867	1,502,233
HSBC Bank Canada <sup>2</sup>	CDOR +1.92	05/12/2028	—	811,066
HSBC Private Bank Suisse SA	SOFR +1.91	18/12/2032	253,633	262,036
HSBC Insurance (Bermuda) Limited <sup>1</sup>	7.405	30/06/2030	132,477	—
At 31 December			8,315,673	10,756,404

1 During the year, HSBC North America Holdings Inc. repaid loans of \$1,250m to the Company and the Company entered into new loan agreement with HSBC North America Holdings Inc. for \$500m and HSBC Insurance (Bermuda) Limited for \$125m.

2 The subordinated loan with HSBC Bank Canada was classified as "Assets held for sale" in 2022, please see note 14 - Assets held for sale.

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

### 13 Prepayments, accrued income and other assets

	2022 \$'000	2021 \$'000
Dividend receivable on intra-group preference shares	10,660	—
Amounts due from other group undertakings	68,525	84,210
At 31 Dec	79,185	84,210

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.

## HSBC Overseas Holdings (UK) Limited

### 14 Assets held for sale

	2022 \$'000	2021 \$'000
<b>Disposal group</b>	<b>7,870,042</b>	<b>—</b>
- Investment in subsidiaries	7,121,354	—
- Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	748,688	—
<b>Total Assets</b>	<b>7,870,042</b>	<b>—</b>

#### Disposal group

##### Planned sale of banking business in Canada

On 29 November 2022, the Company entered into an agreement for the planned sale of its banking business in Canada ('HSBC Bank Canada') to Royal Bank of Canada ('RBC') under which RBC will acquire 100% of the issued common equity of HSBC Bank Canada for a base cash consideration of CAD13.5bn. In addition, RBC will acquire all the preferred shares and the outstanding subordinated debt issued by HSBC Bank Canada. An estimated gain on sale of \$3.7bn will be recognised on completion of transaction, which was originally expected to complete in late 2023 (subject to regulatory and governmental approvals). As at 31 December 2022, the investments in HSBC Bank Canada were classified as held for sale in accordance with IFRS 5. We now expect the transaction to complete in the first quarter of 2024 and continue to classify the investments as held for sale.

### 15 Investments in subsidiaries

#### Movements on investments

	2022 \$'000	2021 \$'000
<b>Cost</b>		
At 1 Jan	44,203,605	45,625,382
Additions	—	1,336,892
Disposals	(2,431,340)	(2,758,669)
Others <sup>1</sup>	37,705	—
<b>At 31 Dec</b>	<b>41,809,970</b>	<b>44,203,605</b>
<b>Provision for impairment</b>		
At 1 Jan	(16,230,377)	(17,384,237)
Impairment loss	(35,000)	—
Reversal of impairment	2,495,493	1,153,860
<b>At 31 Dec</b>	<b>(13,769,884)</b>	<b>(16,230,377)</b>
<b>Net carrying value at 31st Dec</b>	<b>28,040,086</b>	<b>27,973,228</b>
<b>Out of which classified as assets held for sale<sup>2</sup></b>	<b>7,121,354</b>	<b>—</b>
<b>Investment in subsidiaries at 31st Dec</b>	<b>20,918,732</b>	<b>27,973,228</b>

<sup>1</sup> Others include fair value hedge adjustments to the carrying value of the equity investment in HSBC Bank Canada classified as "Assets held for sale" in 2022, please see Note 14 - Assets held for sale and Note 8 - Derivatives.

<sup>2</sup> Carrying value of Investment in HSBC Bank Canada-classified as "Assets held for sale", please see Note 14 - Assets held for sale.

#### Additions

There were no additions during the year.

#### Disposals

During the year HSBC North America Holdings Inc. distributed \$2,000m and HSBC Bank Canada distributed CAD600m (\$431m) as a return of capital. The gain due to foreign exchange differences (\$37m) on the return of capital from HBCA was recorded in income statement line "Gains less losses from investment in subsidiaries".

The principal subsidiary undertakings of the Company as at 31 December 2022 and 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
HSBC Global Services (China) Holdings Limited (formerly HSBC Canada Holdings UK Ltd)	UK	100.00	Preferred shares
HSBC Bank Canada	Canada	100.00	Ordinary shares
HSBC Bank Bermuda Limited	Bermuda	100.00	Preferred 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 26.

## Impairment testing of investment in subsidiaries

### Impairment of investments

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment which includes comparison of the carrying value of the investment to the adjusted net asset value of the subsidiaries. Impairment testing is performed if there is any indicator of impairment or to test reversal of an existing impairment.

An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use (VIU), in accordance with the requirements of IAS 36. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings. The cash flows represent the free cash flows based on the subsidiary's binding capital requirements.

During the year 2022, impairment testing was performed on HSBC North America Holdings Inc., HSBC Insurance (Bermuda) Limited and HSBC Bank Bermuda Limited.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

**Management's judgement in estimating the cash flows:** The cash flow projections for each investment are based on the latest approved plans, which include forecast capital available for distribution based on the capital requirements of the subsidiary, taking into account minimum and core capital requirements. For the impairment test at 31 December 2022, cash flow projections until the end of 2027 were considered in line with our internal planning horizon.

**Long-term growth rates:** A long-term growth rate is used to extrapolate the free cash flows in perpetuity. The growth rate reflects inflation for the country or territory within which the investment operates, and is based on the long-term average growth rates.

**Discount rates:** The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a CAPM. 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 investment are refined to reflect the rates of inflation for the countries or territories within which the investment operates. In addition, for the purposes of testing investments 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.

### HSBC North America Holdings Inc.

HSBC North America Holdings Inc. (HNAH) provides banking and financial services. A comparison of carrying amount of \$15,868m to value in use of \$18,363m calculated using a discount rate of 10.0% and a growth rate of 2.22% resulted in an impairment reversal of \$2,495m. It was assessed that there had been demonstrable performance in 2022 to support a reversal.

In 2021, fair value less costs to sell was considered appropriate in determining recoverable amount at 31 December 2021. Fair value less costs to sell was calculated as \$22,770m representing the aggregation of estimated fair values of all assets and liabilities held in HNAH. This resulted in no impairment being recognised and we considered that there was not yet sufficient evidence of demonstrable performance to support a reversal.

Key assumptions	Change in assumption	Impact on value in use - (loss)/gain
Discount rate	+/- 100 basis points	(\$1,737)m/\$2,234m
Change in cash flow	+/- 10%	\$1,837m/\$(1,839)m

### HSBC Insurance (Bermuda) Limited

HSBC Insurance (Bermuda) provides banking and financial services. A comparison of carrying amount of \$400m (2021: \$400m) to value in use of \$365m (2021: \$503m), calculated using a discount rate of 10.4% (2021: 9.5%) and a growth rate of 1.87% (2021: 1.71%), resulted in an additional impairment of \$35m being recognised (2021: Nil).

Key assumptions	Change in assumption	Impact on value in use - (loss)/gain
Discount rate	+/- 100 basis points	(\$28)m/\$17m
Change in cash flow	+/- 10%	\$34m/\$(37)m

### HSBC Bank Bermuda Limited

HSBC Bank Bermuda Limited provides banking and financial services. A comparison of carrying amount of \$1,202m (2021: \$1,091m) to value in use of \$2,471m (2021: \$1,710m), calculated using a discount rate of 10.4% (2021: 9.5%) and a growth rate of 1.87% (2021: 1.71%), has resulted in no provision for impairment being required (2021: \$111m impairment reversal).

Key assumptions	Change in assumption	Impact on value in use - (loss)/gain
Discount rate	+/- 100 basis points	(\$219)m/\$289m
Change in cash flow	+/- 10%	\$255m/\$(238)m

### HSBC Bank Canada

HSBC Bank Canada provides banking and financial services. As the Company has entered into a sales purchase agreement with Royal Bank of Canada to dispose of HSBC Bank Canada, the agreed consideration has been used to support the recoverable amount of \$10.8bn (inclusive of the preferred shares) under a fair value less costs of disposal basis. The fair value less costs of disposal of HSBC Bank Canada is at a \$3.7bn premium to the carrying value so no impairment was recognised.

In 2021, a comparison of carrying amount of \$7,515m to value in use of \$12,759m, calculated using a discount rate of 8.73% and a growth rate of 1.86%, had resulted in an impairment reversal of \$1,043m.

## HSBC Overseas Holdings (UK) Limited

### 16 Loans from other Group undertakings

	Nominal interest rate (%)	Maturity date	2022 \$'000	2021 \$'000
HSBC Holdings plc	SOFR+2.95	29/5/2026	1,840,000	1,840,000
HSBC Holdings plc	SOFR+1.44	21/12/2027	—	1,000,000
HSBC Holdings plc	CDOR+1.92	12/05/2028	737,327	789,328
HSBC Holdings plc	SOFR+2.41	17/12/2022	—	312,000
HSBC Holdings plc	SOFR+1.66	12/18/2032	250,000	250,000
<b>At 31 Dec</b>			<b>2,827,327</b>	<b>4,191,328</b>

During the year, the Company repaid loans of \$1,312m to HSBC Holdings plc (2021: repaid \$2,450m and new loan \$250m).

The loans are denominated in US dollars and Canadian dollars and the effective interest based on US dollar SOFR or CDOR is accrued. The loans are carried at amortised cost.

### 17 Financial liabilities designated at fair value

	Nominal interest rate (%)	Maturity date	2022 \$'000	2021 \$'000
HSBC Holdings plc	4.95	09/12/2027	1,958,399	2,217,202
HSBC Holdings plc	4.968	03/08/2028	1,460,550	1,676,989
HSBC Holdings plc	SOFR+1.96	09/12/2027	1,017,804	1,047,181
HSBC Holdings plc	2.625	04/06/2032	1,180,867	1,502,233
HSBC Holdings plc	1.506	04/06/2027	1,810,218	1,978,057
HSBC Holdings plc	7.405	30/06/2030	132,477	—
HSBC Holdings plc	6.215	09/12/2029	501,725	—
HSBC Holdings plc	SOFR+0.5	16/05/2024	—	250,078
<b>At 31 December</b>			<b>8,062,040</b>	<b>8,671,740</b>

During the year, the Company repaid loans of \$250m to HSBC Holdings plc and entered into new loan agreements with HSBC Holdings plc for \$625m (2021: repaid \$3,500m and new loan \$3,750m).

The loans are denominated in US dollars and the effective interest based on SOFR is accrued.

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

### 18 Accruals, deferred income and other liabilities

	2022 \$'000	2021 \$'000
Amounts owed to other group undertakings	80,629	67,713
Other liabilities	3,457	—
<b>At 31 Dec</b>	<b>84,086</b>	<b>67,713</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.

### 19 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	322,870	—	—	—	—	—	322,870
Derivatives	24,818	—	—	—	—	—	24,818
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	—	—	—	4,786,421	3,529,252	—	8,315,673
Prepayments, accrued income and other assets	—	71,836	7,349	—	—	—	79,185
Financial investments	—	—	—	—	—	2	2
Assets held for sale	—	—	—	—	748,688	7,121,354	7,870,042
Non-financial assets <sup>1</sup>	—	—	—	—	—	20,934,779	20,934,779
<b>At 31 Dec 2022</b>	<b>347,688</b>	<b>71,836</b>	<b>7,349</b>	<b>4,786,421</b>	<b>4,277,940</b>	<b>28,056,135</b>	<b>37,547,369</b>
<b>Liabilities and Equity</b>							
Loans from other group undertakings	—	—	—	1,840,000	987,327	—	2,827,327
Financial liabilities designated at fair value	—	—	—	4,786,421	3,275,619	—	8,062,040
Derivatives	56,957	—	27,419	—	—	—	84,376
Accruals and other financial liabilities	—	61,030	23,056	—	—	—	84,086
Non financial liabilities <sup>1</sup>	—	—	—	—	—	3,749	3,749
Equity	—	—	—	—	—	26,485,791	26,485,791
<b>At 31 Dec 2022</b>	<b>56,957</b>	<b>61,030</b>	<b>50,475</b>	<b>6,626,421</b>	<b>4,262,946</b>	<b>26,489,540</b>	<b>37,547,369</b>

1 Non financial assets and liabilities with no contractual maturity are presented under bucket "undated"



## 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	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	11,134	—	—	—	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>323,134</b>	<b>2,090,078</b>	<b>10,475,374</b>	<b>27,146,694</b>	<b>40,091,859</b>

## 20 Called up share capital and other equity instruments

			2022	2021
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>		<b>1,130</b>	<b>1</b>	<b>1</b>

Called up share capital is \$1,486 (2021: \$1,486).

During 2022 no new ordinary shares were issued (2021: Nil).

### Other equity instruments

HSBC Overseas Holdings (UK) Limited Preference shares

		2022	2021
		\$'000	\$'000
CAD250m	10,000,000 fully paid preference shares of Canadian Dollar 1CAD each	188,743	188,743
<b>At 31 Dec</b>		<b>188,743</b>	<b>188,743</b>

## 21 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 (2021: \$216m) that can be called upon at the discretion of HSBC Insurance (Bermuda) Limited.

There were no other contractual commitments or guarantees at 31 December 2022.

## 22 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 regular 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 treasury 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.

## HSBC Overseas Holdings (UK) Limited

### 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 and contractual commitments disclosed in Note 21.

	2022	
	Maximum exposure \$'000	Net \$'000
Cash and cash equivalents	322,870	322,870
Derivatives	24,818	24,818
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	8,215,673	8,215,673
Prepayments, accrued income and other assets	79,185	79,185
Financial investments	2	2
<b>At 31 Dec</b>	<b>8,742,548</b>	<b>8,742,548</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
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>12,107,400</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	—	52,897	158,692	2,665,668	1,113,491	3,990,748
Financial liabilities designated at fair value	—	87,437	262,310	6,682,795	3,897,059	10,929,601
Derivatives	56,957	—	27,419	—	—	84,376
<b>At 31 Dec 2022</b>	<b>56,957</b>	<b>140,334</b>	<b>448,421</b>	<b>9,348,463</b>	<b>5,010,550</b>	<b>15,004,725</b>
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>

### 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 those 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.

On 29 November 2022, the Company entered into an agreement for the planned sale of its banking business in Canada for a cash consideration of CAD13.5bn. The Company subsequently entered into hedging arrangements to mitigate the foreign exchange risk for a notional amount of CAD13.5bn, of which CAD9bn were designated in qualifying fair value hedging relationship and CAD4.5bn were deal contingent FX forwards.

### Interest rate risk

The Company held net liabilities of \$1,517m (2021: \$885m) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in interest rates on these net liabilities would be a (decrease)/increase of profit before tax of \$15m (2021: \$9m).

## 23 Related party transactions

### Transactions with other related parties

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

	2022		2021	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	1,266,753	322,870	1,326,629	1,266,757
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss <sup>2</sup>	10,568,370	8,315,673	12,379,971	10,756,404
Prepayments, accrued income and other assets <sup>2</sup>	380,817	79,185	324,335	84,210
Derivatives <sup>3</sup>	27,035	24,818	—	—
Financial investments <sup>1</sup>	29	2	42	29
<b>Liabilities</b>				
Loans from other group undertakings <sup>3</sup>	4,201,041	2,827,327	6,388,071	4,191,328
Financial liabilities designated at fair value <sup>3</sup>	8,496,350	8,062,040	8,886,255	8,671,740
Derivatives <sup>3</sup>	118,623	84,376	—	—
Accruals, deferred income and other liabilities	151,806	84,086	173,891	67,713
<b>Income statement</b>				
			2022	2021
			\$'000	\$'000
Interest income <sup>1,2</sup>			365,454	340,370
Interest expense <sup>3</sup>			(457,384)	(412,458)
Dividend income <sup>2</sup>			850,159	697,727

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.

## 24 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.

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

## 25 Events after the balance sheet date

In November 2022, we announced the planned sale of our banking business in Canada which was originally expected to complete in late 2023 (subject to regulatory and governmental approvals). As at 31 December 2022, the investments in HSBC Bank Canada were classified as held for sale in accordance with IFRS 5. We now expect the transaction to complete in the first quarter of 2024 and continue to classify the investments as held for sale.

In relation to the hedging arrangements to mitigate the foreign exchange risk on the consideration of CAD13.5bn in relation to the planned sale of the banking business in Canada, post year end we transacted deal contingent overlays for CAD6bn and converted CAD3bn of the CAD9bn designated in a qualifying fair value hedging relationship to deal contingent FX forwards. Currently we have CAD7.5bn deal contingent FX forwards, CAD6bn designated in a qualifying fair value hedging relationship and CAD6bn deal contingent overlays. This hedging arrangement is intended to protect the Company from potential losses on the FX hedges in the event that the planned sale does not complete.

The Company received ordinary dividends from HSBC Bermuda Bank Limited (\$74m).

The Company received preference dividends from HSBC North America Holdings Inc. (\$56m) and HSBC Bank Canada (\$28m).

The Company paid preference dividends of \$4.6m to HSBC Holdings plc.

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

## HSBC Overseas Holdings (UK) Limited

### 26 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 2022 is disclosed below.

Subsidiaries	Interest (%)	Footnotes
452 Talf Plus ABS Opportunities SPV LLC	100.00 %	4,18
452 Talf SPV LLC	100.00 %	4,18
Banco Nominees Limited	100.00 %	1,10
Capco/Cove, Inc.	100.00 %	2,24
Card-Flo #1, Inc.	100.00 %	2,18
Card-Flo #3, Inc.	100.00 %	2,18
CC&H Holdings LLC	100.00 %	4,21
Decision One Mortgage Company, LLC	100.00 %	4,19
Giller Ltd.	100.00 %	2,24
GPIF Co-Investment, LLC	100.00 %	4,18
HFC Bank Limited (In Liquidation)	100.00 %	1,9
Household International Europe Limited (In Liquidation)	100.00 %	1,3,9
Household Pooling Corporation	100.00 %	2,20
Housing (USA) LLP	100.00 %	5,21
HSBC Americas Corporation (Delaware)	100.00 %	2,18
HSBC Bank (CHILE)	100.00 %	1,37
HSBC Bank A.S.	100.00 %	1,38
HSBC Bank Bermuda Limited	100.00 %	2,10
HSBC Bank Canada	100.00 %	2,3,14
HSBC Bank USA, National Association	100.00 %	2,3,25
HSBC Canadian Covered Bonds (Legislative) GP Inc.	100.00 %	2,15
HSBC Canadian Covered Bonds (Legislative) Guarantor Limited Partnership	100.00 %	6,15
HSBC Capital (USA) Inc.	100.00 %	2,3,18
HSBC Card Services Inc.	100.00 %	2,18
HSBC Cayman Limited	100.00 %	1,11
HSBC Cayman Services Limited	100.00 %	1,11
HSBC Columbia Funding, LLC	100.00 %	4,18
HSBC Finance Corporation	100.00 %	2,3,18
HSBC Finance Mortgages Inc.	100.00 %	2,16
HSBC Financial Services (Lebanon) s.a.l.	99.70 %	1,33
HSBC Financial Services (Uruguay) S.A. (In Liquidation)	100.00 %	1,28
HSBC Global Asset Management (Bermuda) Limited	100.00 %	2,3,10
MIL (Cayman) Limited	100.00 %	1,11
R/CLIP Corp.	100.00 %	2,18
Real Estate Collateral Management Company	100.00 %	1,18
Sico Limited	100.00 %	1,32
Somers Nominees (Far East) Limited	100.00 %	2,10
Joint Venture		
ProServe Bermuda Limited	50.00 %	2,13

Subsidiaries	Interest (%)	Footnotes
HSBC Global Asset Management (Canada) Limited	100.00 %	2,3,14
HSBC Global Asset Management (USA) Inc.	100.00 %	2,26
HSBC Global Services (China) Holdings Limited	100.00 %	1,17
HSBC Institutional Trust Services (Bermuda) Limited	100.00 %	2,10
HSBC Insurance (Bermuda) Limited	100.00 %	1,10
HSBC Insurance Agency (USA) Inc.	100.00 %	2,26
HSBC International Finance Corporation (Delaware)	100.00 %	2,27
HSBC Investment Funds (Canada) Inc.	100.00 %	2,3,14
HSBC Markets (USA) Inc.	100.00 %	2,3,18
HSBC Mortgage Corporation (Canada)	100.00 %	2,14
HSBC Mortgage Corporation (USA)	100.00 %	2,18
HSBC North America Holdings Inc.	100.00 %	2,3,18
HSBC Overseas Investments Corporation (New York)	100.00 %	2,23
HSBC Portfoy Yonetimi A.S.	100.00 %	1,38
HSBC Private Bank (Luxembourg) S.A.	100.00 %	1,31
HSBC Private Bank (Suisse) SA	100.00 %	1,30
HSBC Private Banking Holdings (Suisse) SA	100.00 %	1,30
HSBC Private Investment Counsel (Canada) Inc.	100.00 %	2,3,14
HSBC Securities (Canada) Inc.	100.00 %	2,16
HSBC Securities (Egypt) S.A.E. (In Liquidation)	100.0 %	1,36
HSBC Securities (USA) Inc.	100.00 %	2,18
HSBC Securities Services (Bermuda) Limited	100.00 %	2,10
HSBC Services USA Inc.	100.00 %	2,22
HSBC Software Development (Guangdong) Limited	100.00 %	7,34
HSBC Technology & Services (China) Limited	100.00 %	7,35
HSBC Technology & Services (USA) Inc.	100.00 %	2,18
HSBC Trust Company (Canada)	100.00 %	2,14
HSBC Trust Company (Delaware), National Association	100.00 %	1,27
HSBC USA Inc.	100.00 %	2,3,23
HSBC Ventures USA Inc.	100.00 %	2,18
HSBC Yatrim Menkul Degerler A.S.	100.00 %	1,38
HSI Asset Securitization Corporation	100.00 %	2,18
Tropical Nominees Limited	100.00 %	1,12
Westminster House, LLC	100.00 %	4,18
Woodex Limited	100.00 %	2,10
Associates		
The London Gold Market Fixing Limited	25.00 %	6,25

## HSBC Overseas Holdings (UK) Limited

Reference	Description of Shares
1	Ordinary Shares
2	Common Shares
3	Preference Shares
4	LLC, no shares
5	LLP, no shares
6	LP, no shares
7	Registered Capital Shares
8	Limited by Guarantee

Reference	Registered Office
9	156 Great Charles Street, Queensway, West Midlands, Birmingham, United Kingdom; B3 3HN
10	37 Front Street, Hamilton, Bermuda, HM 11
11	P.O. Box 1109, Strathvale House, Ground floor, 90 North Church Street, George Town, Grand Cayman, Cayman Islands, KY1-1102
12	103 South Church Street, George Town, Grand Cayman, Cayman Islands, KY1-1003
13	c/o MUFG Fund Services (Bermuda) Limited, Cedar House, 4th Floor North, 41 Cedar Avenue, Hamilton, Bermuda, HM12
14	885 West Georgia Street 3rd Floor, Vancouver, British Columbia, Canada, V6C 3E9
15	66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada, M5K 1E6
16	16 York Street, 6th Floor, Toronto, Ontario, Canada, M5J 0E6
17	8 Canada Square, London, United Kingdom, E14 5HQ
18	c/o The Corporation Trust Company 1209 Orange Street, Wilmington, Delaware, United States of America, 19801
19	160 Mine Lake CT, Ste 200, Raleigh, North Carolina, United States of America, 27615-6417
20	The Corporation Trust Company of Nevada 311 S. Division Street, Carson City, Nevada, United States of America, 89703
21	Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, United States of America, 19808
22	C T Corporation System 820 Bear Tavern Road, West Trenton, New Jersey, United States of America, 08628
23	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, Maryland, United States of America, 21093
24	2929 Walden Avenue, Depew, New York, United States of America, 14043
25	1800 Tysons Boulevard Suite 50, Tysons, Virginia, United States of America, 22102
26	452 Fifth Avenue, New York, United States of America, NY10018
27	300 Delaware Avenue Suite 1401, Wilmington, Delaware, United States of America, 19801
28	World Trade Center Montevideo Avenida Luis Alberto de Herrera 1248, Torre 1, Piso 15, Oficina 1502, Montevideo, Uruguay, CP 11300
29	c/o Hackwood Secretaries Limited One Silk Street, London, United Kingdom, EC2Y 8HQ
30	Quai des Bergues 9-17, Geneva, Switzerland, 1201
31	18 Boulevard de Kokelscheuer, Luxembourg, L-1821
32	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 3162
33	Centre Ville 1341 Building - 4th Floor Patriarche Howayek Street (facing Beirut Souks), PO Box Riad El Solh, Lebanon, 9597
34	L22, Office Tower 2, Taikoo Hui, 381 Tianhe Road, Tianhe District, Guangzhou, Guangdong, China
35	Room 3102, L31 HSBC Building, Shanghai ifc, 8 Century Avenue, China (Shanghai) Free Trade Zone, Shanghai, China, 200120
36	306 Corniche El Nil, Maadi, Egypt, 11728
37	Isidora Goyenechea 2800 23rd floor, Las Condes, Santiago, Chile, 7550647
38	Esentepe mah. Büyükdere Caddesi No.128, Istanbul, Türkiye, 34394