HSBC Holdings plc

The Capital Requirements (Country-by-Country reporting) Regulations 2013

31 December 2022

HSBC

This report has been prepared for HSBC Holdings plc and its subsidiaries (the 'HSBC Group') to comply with The Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implement article 89 of the Capital Requirements Directive IV ('CRD IV').

The HSBC Group is one of the largest international banking and financial services organisations in the world. Full details of the nature of our business activities are set out in pages 31–37 of *HSBC Holdings plc's Annual Report and Accounts 2022*.

This report shows the turnover, profit before tax, corporation tax paid and average number of employees on a full-time equivalent basis for the entities located in the countries in which we operate.

1 Basis of preparation

(a) Country

Each subsidiary or branch is allocated to the country in which it is resident for tax purposes. The data is aggregated for all the subsidiaries and branches allocated to each country.

(b) Turnover and profit before tax

Turnover and profit before tax are compiled from the HSBC Holdings plc consolidated financial statements for the year ended 31 December 2022, which are prepared in accordance with International Financial Reporting Standards ('IFRSs'). Consolidation adjustments and the elimination of intra-HSBC transactions are shown within the 'Group Accounting Adjustments' section of the report, to bring total turnover and profit before tax in line with that disclosed in the *HSBC Holdings plc Annual Report and Accounts 2022*. Turnover represents 'Net operating income before change in expected credit losses and other credit impairment charges' and excludes dividend payments between group companies.

(c) Corporation tax paid

Corporation tax paid represents the net cash taxes paid to, or received from, the tax authority in each country.

Corporation tax paid is reported on a cash basis and will normally differ from the tax expense recorded for accounts purposes due to two main types of timing difference:

- Differences arising from the due dates for tax payments in each country and the basis on which those payments are calculated. These requirements vary between countries. For example, the local requirement may be to make payments calculated on estimated taxable profit for the current period or, alternatively, on the taxable profit of the prior year. Due dates may be designed so that the full tax liability is paid during the year, after the year end or partly in the current year and partly after the year end.
- Differences between when income and expenses are accounted for under IFRSs and when they become taxable. These timing differences may be due to the application of local tax rules or differences between IFRSs and local accounting rules, on which tax returns are based.

(d) Full-time equivalent employees ('FTEs')

FTEs are allocated to the country in which they are primarily based for the performance of their employment duties. The figures disclosed represent the average number of FTEs in each country during the period.

(e) Public subsidies received

There were no public subsidies received during the period.

2 Country-by-Country Reporting

Country–by–Country Reporting

	Year ended 31 December 2022			
	Turnover US$m	Average FTEs[9]	Profit/(loss) before tax[1] US$m	Corporation tax paid/ (refunded)[8] US$m
Europe				
United Kingdom[12]	23,997	33,675	4,385	380
- of which: reversal of impairment of subsidiaries	*2,298*		*2,298*	
France[12]	2,671	6,381	721	63
- of which: reversal of impairment of subsidiaries	*2,304*		*2,304*	
- of which: loss upon classification of assets as held for sale	*(1,953)*		*(1,953)*	
Germany	908	2,328	11	51
Switzerland	570	748	24	—
Poland	469	3,939	73	13
Jersey	253	641	104	8
Guernsey	223	147	104	7
Luxembourg	188	323	29	7
Malta	170	1,093	60	12
Ireland	162	306	56	7
Netherlands	100	62	81	13
Spain	62	92	7	(6)
Armenia	46	281	24	1
Czech Republic	41	56	26	3
Italy	38	62	1	1
Isle of Man	26	115	17	1
Belgium	18	22	7	1
Sweden	7	14	1	—
Greece[10]	(64)	315	(126)	(1)
Russian Federation[10]	(81)	203	(136)	34
Asia				
Hong Kong[3]	18,595	27,718	6,087	408
- of which: impairment of subsidiaries	*(140)*		*(140)*	
Mainland China[12]	4,470	30,755	3,391	73
- of which: Bank of Communications Co., Ltd [4]			*2,377*	
India	3,776	38,230	1,280	497
Singapore	2,017	3,486	694	38
Australia	998	1,874	447	115
Malaysia	905	6,109	383	61
Taiwan	499	2,132	199	6
Indonesia	407	3,010	166	38
Korea, Republic of[12]	313	525	169	(12)
Vietnam	306	1,247	178	29
Philippines[12]	280	5,807	50	2
Japan	225	349	80	21
Bangladesh	212	816	110	38
Thailand	192	410	108	18
Sri Lanka	174	3,848	21	16
Macau	99	254	50	4
New Zealand	93	226	41	6
Mauritius	82	293	47	2
Maldives	16	17	13	3

Country–by–Country Reporting (continued)

	Year ended 31 December 2022			
	Turnover US$m	Average FTEs[9]	Profit/(loss) before tax[1] US$m	Corporation tax paid/ (refunded)[8] US$m
Middle East and Africa				
United Arab Emirates[12]	1,359	2,658	461	27
Egypt	593	3,193	365	79
Saudi Arabia	257	17	493	10
- of which: The Saudi British Bank[4]			*342*	
Türkiye	235	1,891	72	66
Qatar	234	269	162	11
Oman	194	708	71	9
Bahrain[5]	106	176	52	—
South Africa	86	156	52	14
Israel	71	72	39	—
Kuwait	52	66	28	9
Algeria	30	95	17	5
Lebanon	1	3	—	—
North America				
United States	5,846	6,319	915	(11)
Canada	2,122	4,880	842	23
Bermuda[5]	281	332	145	—
British Virgin Islands[5]	2	—	1	—
Cayman Islands[5]	1	2	—	—
Latin America				
Mexico	2,888	16,467	622	120
Argentina	1,033	3,196	189	3
Uruguay	82	247	21	6
Brazil	68	154	11	7
Chile	54	80	36	5
Group Accounting Adjustments[6]				
Intra-HSBC transactions eliminated on consolidation	(20,585)		—	—
Elimination of impairments of investments in subsidiaries	(4,462)		(4,462)	—
Impairments of goodwill[11]	(435)		(435)	—
Other[7]	(1,849)		(1,152)	—
Total	**51,727**	**218,890**	**17,528**	**2,341**

1 *A geographical analysis of profit before tax is provided on page 125 of the* HSBC Holdings plc Annual Report and Accounts 2022*. That analysis by country is different from the table above, which is based on country of tax residence.*

2 *The UK profit before tax includes $4,239m for HSBC UK Bank plc, $(549)m for HSBC Bank plc and $(198)m for HSBC Holdings plc. The amount for HSBC Holdings plc includes $2,493m for the reversal of impairments of investments in subsidiaries, which are offset in the Group Accounting Adjustments section of this report. As a result of timing differences, some impairments of investments in subsidiaries are recorded in entities' solus financial statements in a different period from that in which they are reflected for Country-by-Country Reporting.*

3 *Hong Kong Special Administrative Region of the People's Republic of China.*

4 *Share of profit from associates and JVs. The Saudi British Bank and Bank of Communications Co., Ltd are reported after tax.*

5 *Local statutory tax rate is 0%.*

6 *Accounting adjustments arising on group consolidation and not included in the results of any jurisdiction.*

7 *This mainly relates to differences in hedging designations between consolidated and subsidiary level and elimination of fair value gains on holdings of intra-group securities.*

8 *The cash flow statement contained within the* HSBC Holdings plc Annual Report and Accounts 2022 *shows tax paid of $2,776m. That figure also includes withholding taxes paid.*

9 *FTEs as at 31 December 2022 as reported on page 30 of the* HSBC Holdings plc Annual Report and Accounts 2022 *was 219,999. The FTEs figure above was the average for the year.*

10 *Includes losses in Greece ($109m) and Russia ($260m) arising upon classification of assets as held for sale due to the planned sale of our branch in Greece and of our business in Russia.*

11 *The impact of goodwill impairments as a result of the classification of our retail banking operations in France and branch in Greece as held for sale.*

12 *The cash tax liability for this period was reduced by the utilisation of tax losses which were incurred in prior periods.*

The main subsidiaries of HSBC Holdings plc, their main business activities and their country of operation as at 31 December 2022 are as follows:

Main subsidiary	Country	Nature of activities[1]
Europe		
HSBC Bank plc	United Kingdom	GB&M
HSBC UK Bank plc	United Kingdom	WPB, CMB
HSBC Continental Europe	France	WPB, CMB, GB&M
HSBC Trinkaus & Burkhardt GmbH	Germany	WPB, CMB, GB&M
Asia		
Hang Seng Bank Limited	Hong Kong	WPB, CMB, GB&M
HSBC Bank (China) Company Limited	Mainland China	WPB, CMB, GB&M
HSBC Bank Malaysia Berhad	Malaysia	WPB, CMB, GB&M
HSBC Life (International) Limited	Hong Kong[2]	WPB, CMB
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	WPB, CMB, GB&M
Middle East and North Africa		
HSBC Bank Middle East Limited	United Arab Emirates	WPB, CMB, GB&M
North America		
HSBC Bank Canada	Canada	WPB, CMB, GB&M
HSBC Bank USA, N.A.	United States	WPB, CMB, GB&M
Latin America		
HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	Mexico	WPB, CMB, GB&M

1 *HSBC's four principal global businesses are Wealth Management and Private Banking ('WPB'), Commercial Banking ('CMB'), Global Banking and Markets ('GB&M') and Corporate Centre. Refer to pages 31-37 of the* HSBC Holdings plc Annual Report and Accounts 2022 *for descriptions of the global businesses.*
2 *HSBC Life (International) Limited is resident in Hong Kong for tax purposes. Bermuda is the company's place of incorporation.*

Details of all HSBC subsidiaries, as required under Section 409 of the Companies Act 2006, are set out on pages 410–414 of the *HSBC Holdings plc Annual Report and Accounts 2022*.

Independent auditors' report to the directors of HSBC Holdings plc

Report on the audit of the country-by-country information

Opinion

In our opinion, HSBC Holdings plc's country-by-country information for the year ended 31 December 2022 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2022 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information 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 HSBC Holdings plc ("the company") in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to note 1 of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (i.e. strategy execution) and external risks (i.e. macroeconomic conditions);
- understanding and evaluating the group's financial forecasts and the group's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used;
- understanding and evaluating credit rating agency ratings and actions; and
- reading and evaluating the adequacy of the disclosures made in HSBC Holdings plc's Annual Report and Accounts 2022 in relation 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 the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information 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.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in note 1 to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, 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 country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is 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 this country-by-country information.

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/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conducts of business, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries in relation to cost targets, and management bias in accounting estimates.

The group engagement team shared this risk assessment with the component auditors as part of our audit of the group financial statements for the period ended 31 December 2022 so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- review of correspondence with and reports from the regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- reviewed reporting to the Group Audit Committee and Group Risk Committee in respect of compliance and legal matters;
- enquiries of management and review of internal audit reports, insofar as they related to the financial statements;
- obtain legal confirmations from legal advisors relating to material litigation and compliance matters;
- assessment of matters reported on the group's whistleblowing programmes and the results of management's investigation of such matters; insofar as they related to the financial statements;
- challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the determination of expected credit losses, the impairment assessments of the investment in Bank of Communications Co., Ltd ("BoCom"), valuation of defined benefit pensions obligations, and investment in subsidiaries and valuation of financial instruments;
- obtaining confirmations from third parties to confirm the existence of a sample of transactions and balances; and
- identifying and testing journal entries, including those posted with certain descriptions, posted and approved by the same individual, backdated journals or posted by infrequent and unexpected users.

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 country-by-country information. 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 country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, 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.

The engagement partner responsible for this audit is Sheena Coutinho.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

3 July 2023

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