HSBC Holdings plc

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

31 December 2018

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 largest international banking and financial services organisations in the world. Full details of the nature of our business activities are set out in pages 3 and 18–21 of HSBC Holdings plc's ***Annual Report and Accounts 2018***.

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 2018, 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 2018***. Turnover represents 'Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions' 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.

Country–by–Country Reporting

	Year ended 31 December 2018			
	Turnover US$m	Average FTEs	Profit/(loss) before tax [1] US$m	Corporation tax paid/(refunded) US$m
Europe				
United Kingdom [2]	21,937	39,374	714	169
of which: UK bank levy			*(964)*	
France	2,075	7,631	57	(19)
Germany	873	2,755	201	76
Switzerland	512	1,025	(75)	(2)
Jersey	214	795	150	9
Poland	188	2,404	18	4
Malta	186	1,558	39	16
South Africa	150	225	89	23
Guernsey	147	142	52	4
Luxembourg	138	320	42	2
Netherlands	125	50	104	6
Spain	121	150	71	(9)
Ireland	114	343	15	2
Italy	76	132	(30)	14
Greece	63	366	4	10
Russian Federation	63	248	31	6
Czech Republic	47	103	27	8
Armenia	22	360	1	-
Isle of Man	15	162	9	1
Belgium	13	25	4	-
Monaco	5	32	(50)	(8)
Other [3]	1	7	1	-
Asia				
Hong Kong [4]	19,862	30,533	12,076	1,222
Mainland China	3,012	25,347	2,859	112
of which: Bank of Communications Co., Ltd. [5]			*2,032*	
India	2,468	37,287	819	385
Malaysia	2,192	7,533	373	87
Singapore	1,373	3,183	491	82
Australia	977	1,858	463	112
Indonesia	473	4,541	106	41
Taiwan	464	2,189	225	22
Korea, Republic of	289	620	149	64
Philippines	279	5,808	53	7
Japan	262	416	89	31
Vietnam	217	1,382	131	24
Sri Lanka	187	3,610	86	42
Thailand	168	483	105	20
Bangladesh	158	849	146	34
Macau	110	265	39	8
Mauritius	97	358	64	4
New Zealand	93	224	50	13
Maldives	11	20	10	3
Brunei	-	18	(3)	1

Country–by–Country Reporting (continued)

	Year ended 31 December 2018			
	Turnover	Average FTEs	Profit/(loss) before tax [1]	Corporation tax paid/(refunded)
	US$m		US$m	US$m
Middle East and North Africa				
United Arab Emirates	1,368	3,098	470	63
Egypt	512	2,748	333	92
Turkey	314	2,363	34	-
Oman	223	843	99	9
Qatar	191	313	86	8
Bahrain [6]	121	212	76	-
Israel	69	101	38	9
Kuwait	45	74	22	2
Algeria	30	114	12	13
Saudi Arabia [5]			421	
Other [7]	4	8	-	-
North America				
United States	6,754	10,503	(51)	53
Canada	1,747	5,303	765	181
Bermuda [6]	304	494	104	-
Cayman Islands [6]	5	2	-	-
British Virgin Islands [6]	2	-	(9)	-
Latin America				
Mexico	2,350	15,923	528	90
Argentina	868	4,131	87	24
Brazil	70	70	33	13
Uruguay	69	289	7	2
Chile	33	87	17	1
Group Accounting Adjustments [8]				
Intra–HSBC transactions eliminated on consolidation	(17,561)			
Elimination of impairments of investments in subsidiaries [2]	(1,704)		(1,704)	
Other [10]	(1,811)		(1,283)	
	53,780	**231,407 [11]**	**19,890**	**3,186 [9]**

1. ***A geographical analysis of profit before tax is provided on page 63 of the HSBC Holdings plc*** Annual Report and Accounts 2018***. That geographical analysis is different from the table above, which is based on country of tax residence***
2. ***The United Kingdom profit before tax includes a net profit before tax of $1,704m representing the reversal of impairments of investments in subsidiaries recorded in prior years. This amount is eliminated on consolidation***
3. ***Sweden and Austria***
4. ***Hong Kong Special Administrative Region of the People's Republic of China***
5. ***Share of profit from associates. The Saudi British Bank and Bank of Communications Co., Ltd are reported after tax***
6. ***Local statutory rate is 0%***
7. ***Nigeria, Lebanon and Morocco***
8. ***Accounting adjustments arising on group consolidation and not included in the results of any jurisdiction***
9. ***The cash flow statement contained within the HSBC Holdings plc*** Annual Report and Accounts 2018 ***shows tax paid of $3,417m. That figure also includes withholding taxes suffered***
10. ***This mainly relates to differences in hedging designations between consolidated and subsidiary level and elimination of fair value gains on holdings of intragroup securities***
11. ***FTEs reported in the HSBC Holdings plc*** Annual Report and Accounts 2018 ***as at 31 December 2018 was 235,217. The FTEs figure above is the average for the year***

The HSBC Group's main subsidiaries of HSBC Holdings plc, main business activities and their country of operation as at 31 December 2018 are as follows:

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

1. ***HSBC's four principal global businesses are Retail Banking and Wealth Management ('RBWM'), Commercial Banking ('CBM'), Global Banking and Markets ('GB&M) and Global Private Banking ('GPB'). Refer to pages 18-21 of the HSBC Holdings plc*** Annual Report and Accounts 2018 ***for a description and performance 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 302–309 of the HSBC Holdings plc ***Annual Report and Accounts 2018***.

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 2018 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 2018 in the Country-by-Country schedule.

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 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 the description of the basis of preparation in the country-by-country information. 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is not appropriate; or
- the directors have not disclosed in the country-by-country information any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the country-by-country information is authorised for issue.

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

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 and notes 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.

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 Matthew Falconer.

PricewaterhouseCoopers LLP

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London
17 May 2019

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