

# HSBC Holdings plc

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

**31 December 2021**

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 13 and 30–36 of *HSBC Holdings plc's Annual Report and Accounts 2021*.

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**

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### **(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 2021, 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 2021*. 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 2021			
	Turnover US\$m	Average FTEs <sup>9</sup>	Profit/(loss) before tax <sup>1</sup> US\$m	Corporation tax paid/ (refunded) <sup>8</sup> US\$m
<b>Europe</b>				
United Kingdom <sup>2</sup>	24,420	36,536	4,710	432
- of which: UK Bank Levy Charge			(116)	
- of which: reversal of impairment of subsidiaries	2,967		2,967	
France	2,284	6,899	70	(5)
Germany	1,222	2,510	321	164
Switzerland	536	777	44	—
Poland	372	3,399	39	6
Jersey	247	686	92	11
Malta	170	1,196	33	14
Luxembourg	144	332	(20)	9
Ireland	133	317	19	4
Guernsey	116	157	45	9
Spain	73	110	33	7
Netherlands	69	60	40	13
Greece	52	328	11	—
Russian Federation	50	229	16	1
Italy	46	92	13	10
Czech Republic	36	67	20	3
Armenia	31	289	7	—
Belgium	18	22	9	3
Isle of Man	16	127	10	—
Sweden	5	12	—	—
<b>Asia</b>				
Hong Kong <sup>3</sup>	17,316	29,030	6,134	674
Mainland China	3,956	28,387	3,321	36
- of which: Bank of Communications Co., Ltd <sup>4</sup>			2,461	
India	3,310	38,589	1,108	404
Singapore	1,479	3,266	470	31
Australia	946	1,832	383	112
Malaysia	825	6,460	139	27
Taiwan	422	2,088	131	20
Indonesia	417	3,283	130	42
Korea, Republic of	299	524	147	56
Philippines	266	6,056	26	3
Japan	220	353	63	20
Vietnam	189	1,266	78	15
Thailand	163	429	75	21
Bangladesh	159	819	81	42
Sri Lanka	137	3,796	42	8
Macau	89	240	38	4
New Zealand	85	226	36	8
Mauritius	38	316	12	—
Maldives	10	18	7	1

## Country-by-Country Reporting (continued)

	Year ended 31 December 2021			
	Turnover US\$m	Average FTEs <sup>9</sup>	Profit/(loss) before tax <sup>1</sup> US\$m	Corporation tax paid/ (refunded) <sup>8</sup> US\$m
<b>Middle East and Africa</b>				
United Arab Emirates	1,052	2,743	315	47
- of which: impairment of subsidiaries	(120)		(120)	
Egypt	534	2,768	283	82
Turkey	296	1,941	138	28
Saudi Arabia	190	285	370	14
- of which: Associates and JVs <sup>4</sup>			276	
Qatar	177	275	120	7
Oman	176	752	55	1
South Africa	104	162	63	15
Bahrain	84	194	45	—
Kuwait	44	65	29	—
Israel	34	80	7	3
Algeria	33	110	23	8
Lebanon	1	3	—	—
<b>North America</b>				
United States	5,808	7,701	754	8
Canada	1,924	4,986	768	222
Bermuda <sup>5</sup>	235	393	96	—
Cayman Islands <sup>5</sup>	1	2	(5)	—
British Virgin Islands <sup>5</sup>	1	—	12	—
<b>Latin America</b>				
Mexico	2,460	15,670	483	71
- of which: impairment of goodwill	—		(110)	
Argentina	628	3,326	98	20
Uruguay	66	246	16	—
Brazil	51	138	5	6
Chile	38	79	23	3
<b>Group Accounting Adjustments<sup>6</sup></b>				
Intra-HSBC transactions eliminated on consolidation	(21,836)		—	—
Reversal of impairments of goodwill	—		(477)	—
Elimination of impairments of investments in subsidiaries	(2,828)		(2,828)	—
Other <sup>7</sup>	(87)		580	—
<b>Total</b>	<b>49,552</b>	<b>223,042</b>	<b>18,906</b>	<b>2,740</b>

1 A geographical analysis of profit before tax is provided on page 114 of the HSBC Holdings plc Annual Report and Accounts 2021. That analysis by country is different from the table above, which is based on country of tax residence.

2 The UK profit/(loss) before tax includes \$4,785m for HSBC UK Bank plc, \$269m for HSBC Bank plc and \$(913)m for HSBC Holdings plc. The amount for HSBC Holdings plc includes \$3,065m 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 2021 shows tax paid of \$3,077m. That figure also includes withholding taxes paid.

9 FTEs as at 31 December 2021 as reported on page 29 of the HSBC Holdings plc Annual Report and Accounts 2021 was 219,697. The FTEs figure above was the average for the year.

The main subsidiaries of HSBC Holdings plc, their main business activities and their country of operation as at 31 December 2021 are as follows:

Main subsidiary	Country	Nature of activities <sup>1</sup>
<b>Europe</b>		
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 AG	Germany	WPB, CMB, GB&M
<b>Asia</b>		
Hang Seng Bank Limited	Hong Kong	WPB, CMB, GB&M
HSBC Bank (China) Company Limited	China	WPB, CMB, GB&M
HSBC Bank Malaysia Berhad	Malaysia	WPB, CMB, GB&M
HSBC Life (International) Limited	Hong Kong <sup>2</sup>	WPB, CMB
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	WPB, CMB, GB&M
<b>Middle East and North Africa</b>		
HSBC Bank Middle East Limited	United Arab Emirates	WPB, CMB, GB&M
<b>North America</b>		
HSBC Bank Canada	Canada	WPB, CMB, GB&M
HSBC Bank USA, N.A.	USA	WPB, CMB, GB&M
<b>Latin America</b>		
HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	Mexico	WPB, CMB, GB&M

<sup>1</sup> 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 30-36 of the HSBC Holdings plc Annual Report and Accounts 2021 for descriptions of the global businesses.

<sup>2</sup> 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 388-393 of the HSBC Holdings plc Annual Report and Accounts 2021.

# ***Independent auditors' report to the directors of HSBC Holdings plc***

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

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### **Opinion**

In our opinion, HSBC Holdings plc's country-by-country information for the year ended 31 December 2021 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 2021 in the Country-by-Country Report.

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### **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.

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### **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.

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### **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 the impact of external risks including geopolitical, Covid-19 and climate change risks.
- Understanding and evaluating the company's financial forecasts and the 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.
- Reading and evaluating the adequacy of the disclosures made in HSBC Holdings plc's Annual Report and Accounts 2021 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 conduct 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 to increase revenue or reduce costs, creating fictitious trades to hide losses or to improve financial performance, 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 2021 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;
- Review a sample of legal correspondence with legal advisors;
- 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;
- 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-

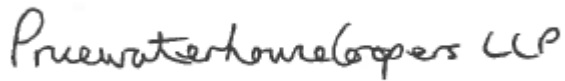
country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 Lawrence Wilkinson.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, slightly slanted style.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
4th May 2022



**HSBC Holdings plc**

8 Canada Square  
London E14 5HQ

United Kingdom

Telephone: 44 020 7991 8888

[www.hsbc.com](http://www.hsbc.com)

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