

# HSBC Holdings plc

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

31 December 2017

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 most 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 2017*.

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 are 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 2017, which are prepared in accordance with International Financial Reporting Standards (“IFRSs”). Turnover represents ‘Net operating income before 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 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.
- 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.

### (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 2017			
	Turnover	Average FTEs	Profit/(loss) before tax <sup>1</sup>	Corporation tax paid/(refunded)
	US\$m		US\$m	US\$m
<b>Europe</b>				
United Kingdom	18,857	40,593	(3,754)	218
– Of which: UK bank levy			(916)	
France	2,336	7,942	328	60
Germany	949	2,606	281	98
Switzerland	447	1,141	(200)	(113)
Turkey	339	2,856	51	6
Armenia	26	360	(23)	–
Belgium	9	19	1	–
Czech Republic	57	104	24	3
Greece	75	370	17	5
Guernsey	114	184	61	4
Ireland	89	331	(3)	2
Isle of Man	18	160	10	1
Israel	56	95	33	11
Italy	81	122	40	10
Jersey	195	679	88	8
Luxembourg	128	314	19	–
Malta	178	1,632	55	13
Monaco	55	125	(16)	–
Netherlands	35	38	29	6
Poland	157	2,276	14	3
Russian Federation	76	242	29	10
South Africa	138	231	87	22
Spain	114	143	72	–
Sweden	1	1	–	–
<b>Asia</b>				
Hong Kong <sup>2</sup>	17,345	29,265	9,854	912
Australia	851	1,742	365	117
Mainland China	2,581	24,074	2,588	46
– Of which: Bank of Communications Co., Ltd <sup>3</sup>			1,863	
India	2,420	37,284	901	297
Indonesia	595	4,919	213	81
Malaysia	2,075	8,202	324	67
Singapore	1,256	3,126	464	59
Taiwan	441	2,143	199	17
Bangladesh	151	844	83	37
Brunei	(21)	272	(55)	2
Japan	266	415	97	35
Korea, Republic of	275	636	138	40
Macau	110	249	70	7
Maldives	14	19	10	4
Mauritius	83	353	52	4
New Zealand	92	214	47	12
Philippines	270	5,632	40	11
Sri Lanka	190	3,857	88	42
Thailand	133	482	71	22
Vietnam	180	1,219	98	19

## Country-by-Country Reporting (continued)

	Year ended 31 December 2017			
	Turnover	Average FTEs	Profit/(loss) before tax <sup>1</sup>	Corporation tax paid/(refunded)
	US\$m		US\$m	US\$m
<b>Middle East and North Africa</b>				
Egypt	470	2,812	305	47
Saudi Arabia <sup>3</sup>	–	–	441	–
United Arab Emirates	1,363	3,035	476	90
Algeria	29	114	17	11
Bahrain <sup>7</sup>	100	205	25	–
Kuwait	39	71	18	–
Lebanon	18	83	4	–
Oman	196	869	54	9
Qatar	197	315	108	10
<b>North America</b>				
Canada	1,597	5,316	684	123
United States	6,428	11,610	606	(1)
Cayman Islands <sup>7</sup>	10	5	10	–
Bermuda <sup>7</sup>	345	502	257	–
<b>Latin America</b>				
Argentina	935	4,299	215	103
Brazil	75	53	41	11
Mexico	2,215	15,930	389	67
Chile	28	89	12	–
Uruguay	68	307	(4)	2
<b>Group Accounting Adjustments <sup>4</sup></b>				
Intra-HSBC transactions eliminated on consolidation	(16,586)		–	–
Other	81		619	–
	<b>51,445</b>	<b>233,126</b>	<b>17,167</b>	<b>2,670 <sup>5,6</sup></b>

1. A geographical analysis of profit before tax is provided on page 58 of the HSBC Holdings plc Annual Report and Accounts 2017. That geographical analysis is different from the table above, which is based on country of tax residence

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

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

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

5. The cash flow statement contained within the HSBC Holdings plc Annual Report and Accounts 2017 shows tax paid of \$3,175m. That figure includes withholding taxes suffered and other taxes borne by HSBC in respect of its interest in The Saudi British Bank, which are not included in the table above

6. The HSBC Holdings plc Environmental, Social and Governance April 2018 update discloses tax paid of \$2.9bn. The difference relates to Saudi Shareholder tax (See note 5 above)

7. Local statutory tax rate is 0%

The HSBC Group's principal subsidiaries and their country of operation as at 31 December 2017 are as follows:

Principal subsidiary	Country	Nature of activities <sup>1</sup>
<b>Europe</b>		
HSBC Bank plc	United Kingdom	RBWM, CMB, GB&M, GPB
HSBC France	France	RBWM, CMB, GB&M, GPB
HSBC Assurances Vie (France)	France	RBWM
HSBC Private Banking Holdings (Suisse) SA	Switzerland	RBWM, GB&M, GPB
HSBC Trinkaus & Burkhardt AG	Germany	RBWM, CMB, GB&M, GPB
<b>Asia</b>		
Hang Seng Bank Limited	Hong Kong	RBWM, CMB, GB&M
HSBC Bank Australia Limited	Australia	RBWM, CMB, GB&M
HSBC Bank (China) Company Limited	PRC <sup>2</sup>	RBWM, CMB, GB&M, GPB
HSBC Bank Malaysia Berhad	Malaysia	RBWM, CMB, GB&M
HSBC Bank (Taiwan) Limited	Taiwan	RBWM, CMB, GB&M, GPB
HSBC Life (International) Limited	Hong Kong	RBWM, CMB
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	RBWM, CMB, GB&M, GPB
HSBC Bank (Singapore) Limited	Singapore	RBWM, CMB, GB&M
<b>Middle East and North Africa</b>		
HSBC Bank Middle East Limited	United Arab Emirates	RBWM, CMB, GB&M, GPB
HSBC Bank Egypt S.A.E.	Egypt	RBWM, CMB, GB&M
<b>North America</b>		
HSBC Bank Canada	Canada	RBWM, CMB, GB&M
HSBC Bank USA, N.A.	USA	RBWM, CMB, GB&M, GPB
HSBC Securities (USA) Inc.	USA	RBWM, CMB, GB&M, GPB
<b>Latin America</b>		
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 ('CMB'), 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 2017 for a description of the global businesses

2. People's Republic of China

Details of all HSBC subsidiaries, as required under Section 409 of the Companies Act 2006, are set out on pages 253–261 of the HSBC Holdings plc Annual Report and Accounts 2017.

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

We have audited the accompanying schedule of HSBC Holdings plc for the year ended 31 December 2017 ("the schedule"). The schedule has been prepared by the directors based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

### **Directors' Responsibility for the schedule**

The directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, and for such internal control as the directors determine is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the country-by-country information in the schedule as at 31 December 2017 is prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

### **Basis of Preparation and Restriction on Distribution**

Without modifying our opinion, we draw attention to Note 1 to the schedule, which describes the basis of preparation. The schedule is prepared to assist the directors to meet the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. As a result, the schedule may not be suitable for another purpose.

Our report is intended solely for the benefit of the directors of HSBC Holdings plc. We do not accept or assume any responsibility or liability to any other party save where terms are agreed between us in writing.



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18 April 2018  
London

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