

HSBC HOLDINGS PLC

THE CAPITAL REQUIREMENT (Country-by-Country Reporting) REGULATION 2013

31 December 2014

1 Basis of preparation

This disclosure has been prepared to comply with The Capital Requirement (Country-by-Country Reporting) Regulation 2013 which implements article 89 of the Capital Requirements Directive IV ('CRD IV').

(a) **Compliance with International Financial Reporting Standards ('IFRSs')**

The amounts disclosed for turnover and profit before tax are compiled from the Group consolidated financial statements for the year ended 31 December 2014 which are prepared in accordance with IFRSs.

(b) **Consolidation**

Turnover and profit before tax is reported on a consolidated basis for each country published. Turnover excludes dividend payments between countries.

(c) **Country**

The country information is reported based on the location of operations of the subsidiary or branch responsible for reporting the results or advancing the funds.

(d) **Corporation tax paid**

Corporation tax paid is reported on a cash basis as opposed to an accounting basis, and therefore does not necessarily relate to the reported profit before tax for the period ended 31 December 2014.

(e) **Public subsidies received**

There were no public subsidies received during the 12 month period ended 31 December 2014.

Country-by-country reporting

	For the year ended 31 December 2014			
	Turnover US\$m	Average FTE	Profit before tax US\$m	Corporation tax paid US\$m
Europe				
UK ¹	15,190	43,987	(319)	228
France	2,578	8,708	214	230
Germany	944	2,380	278	96
Switzerland	736	1,558	42	80
Turkey	791	5,799	(64)	35
Armenia	45	335	21	5
Channel Islands and Isle of Man	537	1,104	263	15
Czech Republic	39	94	22	6
Greece	103	371	38	6
Ireland	100	412	1	5
Israel	47	101	27	18
Italy	77	94	41	29
Kazakhstan	55	458	8	–
Luxembourg	115	358	(1)	–
Malta	230	1,300	71	28
Monaco	134	214	53	–
Netherlands	(206)	18	(214)	89
Poland	110	1,466	8	–
Russia	53	251	6	8
South Africa	127	227	82	20
Spain	115	144	(9)	(2)
Asia				
Hong Kong ^{2, 3}	13,844	28,849	8,142	1,220
Australia	964	1,683	432	178
China	2,462	19,627	2,951	109
India	1,821	31,303	700	288
Indonesia	561	5,602	198	74
Malaysia	1,063	9,125	496	130
Singapore	1,333	3,114	589	96
Taiwan	490	2,382	221	31
Bangladesh	196	867	134	62
Brunei	99	488	41	12
Japan	159	453	22	10
Korea	318	692	180	10
Macao	92	225	59	6
Maldives	27	31	23	6
Mauritius	92	372	62	5
New Zealand	111	219	77	13
Philippines	287	4,946	46	17
Sri Lanka	207	3,910	104	54
Thailand	143	458	76	14
Vietnam	137	1,371	21	13
Middle East and North Africa				
Egypt	531	2,923	335	55
Saudi Arabia ⁴	–	–	486	–
UAE	1,412	3,148	662	101
Algeria	57	142	35	13
Bahrain	105	234	94	–
Jordan	30	105	11	9
Kuwait	49	77	31	–
Lebanon	58	222	21	9
Oman	186	1,142	34	4
Pakistan	14	237	3	–
Qatar	203	325	115	8
North America				
Canada	1,914	5,563	829	206
USA	5,974	14,390	532	(565)
Bermuda	326	671	49	–

Country-by-country reporting (continued)

	Turnover US\$m	Average FTE	Profit before tax US\$m	Corporation tax paid US\$m
Latin America				
Argentina	1,070	4,240	384	155
Brazil	4,819	19,773	(247)	149
Mexico	2,298	17,504	51	132
Chile	48	133	10	(2)
Colombia	27	49	15	–
Uruguay	62	282	10	–
Other	104	30	78	55
Intra-HSBC items	(4,365)			
Total	61,248	256,286	18,680	3,573

- 1. In addition to Corporation tax paid of US\$238m, the Group also incurred a charge of US\$1.1bn in respect of the UK Bank levy, see page 5 of the Annual Report and Accounts 2014.*
- 2. Hong Kong Special Administrative Region of the People's Republic of China.*
- 3. Profit before tax includes share of profits relating to Bank of Communications Co, Limited ('BoCom').*
- 4. Income from associates: Saudi British Bank and SABB Takaful.*

The Group's principal subsidiaries and country of operation are as follows:

Country	Principal subsidiary or branch	Nature of activities ¹
United Kingdom	HSBC Bank plc	RBWM, CMB, GB&M, GPB
United Kingdom	HSBC Asset Finance (UK) Limited	RBWM, CMB, GB&M
France	HSBC France	RBWM, CMB, GB&M, GPB
Germany	HSBC Trinkaus & Burkhardt AG	RBWM, CMB, GB&M, GPB
Switzerland	HSBC Private Banking Holdings (Suisse) SA	GB&M, GPB
Turkey	HSBC Bank A.S.	RBWM, CMB, GB&M, GPB
Hong Kong	The Hongkong and Shanghai Banking Corporation Limited	RBWM, CMB, GB&M, GPB
Hong Kong	Hang Seng Bank Limited	RBWM, CMB, GB&M
Hong Kong	HSBC Life (International) Limited	RBWM, CMB
Australia	HSBC Bank Australia Limited	RBWM, CMB, GB&M
PRC ²	HSBC Bank (China) Company Limited	RBWM, CMB, GB&M, GPB
Malaysia	HSBC Bank Malaysia Berhad	RBWM, CMB, GB&M
Taiwan	HSBC Bank (Taiwan) Limited	RBWM, CMB, GB&M, GPB
Egypt	HSBC Bank Egypt S.A.E.	RBWM, CMB, GB&M
United Arab Emirates	HSBC Bank Middle East Limited	RBWM, CMB, GB&M, GPB
Canada	HSBC Bank Canada	RBWM, CMB, GB&M
USA	HSBC Bank USA, N.A.	RBWM, CMB, GB&M, GPB
USA	HSBC Finance Corporation	RBWM, CMB
USA	HSBC Securities (USA) Inc.	RBWM, CMB, GB&M, GPB
Argentina	HSBC Bank Argentina S.A.	RBWM, CMB, GB&M
Brazil	HSBC Bank Brasil S.A. – Banco Múltiplo	RBWM, CMB, GB&M, GPB
Mexico	HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	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 16, 17 and 18 of the Group's Annual Report and Accounts 2014 for a description of the above global businesses.
2. People's Republic of China.

INDEPENDENT ASSURANCE REPORT

To the Directors of HSBC Holdings plc

HSBC Holdings plc (“the Company”) – Country-by-Country Reporting information

HSBC Holdings plc (“the Company” or “you”) engaged KPMG Audit Plc (“KPMG” or “the Independent Party”) to provide assurance that the accompanying Country-by-Country Reporting information (“the CBCR Information”) (which is subject to the requirement for ‘audit’ as set out in Regulation 2(7) of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and contained within the Company’s Country-by-Country Reporting (“the CBCR Report”)) as at and for the year ended 31 December 2014, has been prepared based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as interpreted by the Directors of the Company as set out in the basis of preparation in note 1.

This report is made solely to the Company, in accordance with the agreed terms of our engagement. Our work has been undertaken so that we might state to the Company those matters we have agreed to state to it in this report, and to facilitate the Company’s compliance with the requirement for ‘audit’ of the Company’s CBCR Information set out in Regulation 2(7) of the Capital Requirements (Country-by-Country Reporting) Regulations 2013, and for no other purpose.

Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our work or report to any other party.

Directors’ responsibilities for the CBCR Information

The Directors of the Company are responsible for the preparation of the CBCR Information in accordance with, and for interpreting the requirements of, the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for determining the acceptability of the basis of preparation in note 1, and for such internal control as the Directors determine is necessary to enable the preparation of CBCR Information that is free from material misstatement, whether due to fraud or error.

Responsibilities of the independent assurance provider

Our responsibility is to provide reasonable assurance that the CBCR Information has been properly extracted from the Books and Records of the Company (as defined below) and that, based on information that has been properly extracted from the Books and Records of the Company, properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as interpreted by the Directors as set out in the basis of preparation in note 1.

The CBCR Information comprises the following items of information subject to ‘audit’ as set out in Regulation 2(7) of the Capital Requirements (Country-by-Country Reporting) Regulations 2013:

- Number of employees
- Turnover
- Pre-tax profit or loss
- Corporate income tax paid
- Public subsidies received

We conducted our work having regard to *International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain sufficient, appropriate evidence on which to base our conclusion.

Definition of Books and Records

For the purposes of this independent assurance report, as agreed with the Company, we have defined the Books and Records of the Company as follows:

Type of system	System name	Nature of system information
Consolidation and Reporting Accounting Engine	SARACEN	SARACEN is a Hyperion application supported by a third party vendor and locally by a team of IT and business professionals. It has functionalities for consolidation of accounting balances and various hierarchies for reporting purposes.

We were not required to, nor have we, verified the accuracy of the underlying Books and Records from which the CBCR Information has been collated.

Scope of our procedures

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the CBCR Information. The nature, timing and extent of procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the CBCR Information whether due to fraud or error.

In making those risk assessments, we considered internal controls relevant to the preparation and presentation of the CBCR Information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the CBCR Information.

Our engagement also included: assessing the appropriateness of the information extracted from the books and records of the Company for use in preparing the CBCR Information; the suitability of the basis of preparation for use as criteria in the circumstances of the engagement; evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the CBCR Information; the reasonableness of estimates made by the Company; and, evaluating the overall presentation of the CBCR Information.

Our work was directed to those matters which in our view materially affect the CBCR Information, and was not directed to the discovery of errors or misstatements which we consider to be immaterial. The procedures performed included, but were not limited to:

- Examining the extraction of information from the Books and Records of the Company;
- Review of the basis of preparation;
- Conducting interviews with management to obtain an understanding of relevant systems and controls;
- Examining and testing the design and operating effectiveness of those systems and controls;
- Assessing the significant assumptions and judgements made by management in respect of the CBCR Information and the application of the basis of preparation;
- Analytical review; and
- Other tests of detail including re-performance of calculations, determining our own estimates, and comparison of assumptions with external information sources.

Our conclusion

Based on the work performed, in our opinion the CBCR Information as at and for the year ended 31 December 2014 has been, based on information properly extracted from the Books and Records of the Company, properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as interpreted by the Directors as set out in the basis of preparation in note 1.

KPMG Audit Plc
Chartered Accountants
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3 December 2015