

# HSBC Holdings plc

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

31 December 2019

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 5 and 30–37 of HSBC Holdings plc's Annual Report and Accounts 2019.

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 2019, 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 2019. 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.

## 2 Country-by-Country Reporting

### Country-by-Country Reporting

	Year ended 31 December 2019			
	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 <sup>2</sup>	21,999	40,257	(3,297)	154
– of which: UK bank levy			(988)	
– of which: impairments of subsidiaries	(1,581)		(1,581)	
– of which: impairments of goodwill			(79)	
France	(1,857)	7,723	(4,095)	26
– of which: impairments of subsidiaries	(4,064)		(4,064)	
– of which: impairments of goodwill			(95)	
Germany	901	2,878	157	80
Switzerland	530	948	90	(10)
Jersey	246	745	168	15
Poland	228	2,884	5	2
Malta	178	1,506	32	(13)
Luxembourg	175	353	48	8
Ireland	123	364	29	–
Guernsey	117	173	61	5
Spain	89	153	44	6
Greece	66	358	4	(1)
Russian Federation	64	261	30	5
Netherlands	56	67	34	13
Italy	54	125	11	1
Czech Republic	41	98	33	6
Armenia	24	371	5	1
Isle of Man	18	168	8	1
Belgium	11	27	1	–
Monaco	11	10	26	–
Sweden	–	5	(1)	–
<b>Asia</b>				
Hong Kong <sup>3</sup>	22,304	31,537	12,634	42
Mainland China	3,236	27,655	2,888	8
– of which: Bank of Communications Co., Ltd. <sup>4</sup>			2,017	
India	2,853	39,826	985	445
Singapore	1,474	3,417	479	99
Australia	936	1,862	444	152
Malaysia	922	7,407	342	112
Indonesia	472	4,107	219	47
Taiwan	404	2,174	161	34
Philippines	322	5,885	90	8
Korea, Republic of	273	611	132	6
Japan	255	412	77	23
Vietnam	230	1,388	131	27
Thailand	189	476	103	10
Bangladesh	182	858	115	41
Sri Lanka	167	3,514	67	36
Mauritius	107	350	72	5
Macau	103	261	59	6
New Zealand	82	233	37	13
Maldives	10	17	7	3

Country-by-Country Reporting (continued)

	Year ended 31 December 2019			
	Turnover	Average FTEs	Profit/(loss)	Corporation
	US\$m		before tax <sup>1</sup>	tax paid/ (refunded)
			US\$m	US\$m
<b>Middle East and Africa</b>				
United Arab Emirates	1,449	3,104	503	62
Saudi Arabia	870	—	1,124	5
– of which: income from Associates and JVs <sup>4</sup>	828		1,086	
Egypt	603	2,706	410	123
Turkey	322	2,134	116	12
Oman	225	840	97	16
Qatar	189	303	112	7
South Africa	127	214	55	22
Bahrain	105	215	51	—
Israel	52	97	27	12
Kuwait	49	74	41	1
Algeria	29	114	12	4
Other <sup>5</sup>	1	3	—	—
<b>North America</b>				
United States	6,286	9,944	126	38
– of which: impairments of goodwill			(220)	
Canada	1,753	5,441	618	162
Bermuda <sup>6</sup>	348	465	206	—
Cayman Islands <sup>6</sup>	(11)	2	(10)	—
British Virgin Islands <sup>6</sup>	1	—	(5)	—
<b>Latin America</b>				
Mexico	3,072	15,979	1,134	104
– of which: reversal of impairments of subsidiaries	464		464	
Argentina	1,025	3,938	150	67
Uruguay	70	273	10	1
Brazil	54	107	7	8
Chile	40	86	22	2
<b>Group Accounting Adjustments<sup>7</sup></b>				
Intra-HSBC transactions eliminated on consolidation	(20,843)	—	—	—
Impairments of goodwill	—	—	(6,954)	—
Elimination of impairments of investments in subsidiaries	5,181	—	5,181	—
Other <sup>8</sup>	(2,494)	—	(2,121)	—
<b>Total</b>	<b>56,098</b>	<b>237,503<sup>10</sup></b>	<b>13,347</b>	<b>2,062<sup>9</sup></b>

- 1 A geographical analysis of profit before tax is provided on page 61 of the HSBC Holdings plc Annual Report and Accounts 2019. That geographical analysis is different from the table above, which is based on country of tax residence.
- 2 The UK profit/(loss) before tax includes \$694m for HSBC UK Bank plc, \$(435)m for HSBC Bank plc and \$(5,843m) for HSBC Holdings plc. These amounts include impairments of investments in subsidiaries of \$622m, \$6m, and \$2,562m, respectively, the reversals of which are included in the Group Accounting Adjustments section of this report.
- 3 Hong Kong Special Administrative Region of the People's Republic of China. Tax paid is low in comparison to prior years because the Hong Kong Inland Revenue Department did not issue HSBC's tax assessments for 2019 until January 2020, at which time the tax assessments were paid.
- 4 Share of profit from associates and JVs. The Saudi British Bank, HSBC Saudi Arabia and Bank of Communications Co., Ltd are reported after tax. The 2019 Turnover and Profit Before Tax for The Saudi British Bank include a dilution gain of \$828m arising on the merger of The Saudi British Bank with Alawwal Bank.
- 5 Morocco and Lebanon.
- 6 Local statutory tax rate is 0%.
- 7 Accounting adjustments arising on group consolidation and not included in the results of any jurisdiction.
- 8 This mainly relates to differences in hedging designations between consolidated and subsidiary level and elimination of fair value gains on holdings of intragroup securities.
- 9 The cash flow statement contained within the HSBC Holdings plc Annual Report and Accounts 2019 shows tax paid of \$2,267m. That figure also includes withholding taxes suffered.
- 10 FTEs as at 31 December 2019 as reported on page 29 of the HSBC Holdings plc Annual Report and Accounts 2019 was 235,351. The FTEs figure above is the average for the year.

The HSBC Group's main subsidiaries, their main business activities and their country of operation as at 31 December 2019 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	RBWM, CMB, GPB
HSBC France	France	RBWM, CMB, GB&M, GPB
HSBC Trinkaus & Burkhardt AG	Germany	CMB, GB&M, GPB
<b>Asia</b>		
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 <sup>2</sup>	RBWM, CMB
Limited	Hong Kong	RBWM, CMB, GB&M, GPB
<b>Middle East and North Africa</b>		
HSBC Bank Middle East Limited	United Arab Emirates	RBWM, CMB, GB&M, GPB
<b>North America</b>		
HSBC Bank Canada	Canada	RBWM, CMB, GB&M
HSBC Bank USA, N.A.	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

<sup>1</sup> 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 30-37 of the HSBC Holdings plc Annual Report and Accounts 2019 for a description and performance 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 315-319 of the HSBC Holdings plc Annual Report and Accounts 2019.

# ***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 2019 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 2019 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 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**

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 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.

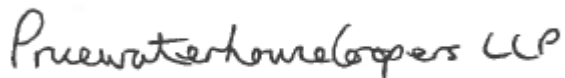
Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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.

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.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

12 October 2020

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