

HSBC HOLDINGS PLC

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

31 December 2016

This report has been prepared for HSBC Holdings plc and its subsidiaries (the “HSBC Group”) to comply with The Capital Requirement (Country-by-Country Reporting) Regulation 2013, which implements 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 18-19 of HSBC’s *Annual Report and Accounts 2016*. This report shows the turnover, profit before tax, corporation tax paid and average number of employees on a full time equivalent (“FTE”) 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 Group consolidated financial statements for the year ended 31 December 2016, which are prepared in accordance with International Financial Reporting Standards (IFRSs). Turnover excludes dividend payments between countries.

(c) Corporation tax paid

Corporation tax paid is reported on a cash basis as opposed to an accounting basis, and may not always relate to the reported profit before tax for the period ended 31 December 2016. Corporation tax paid represents the cash taxes paid/received to/from each country tax authority.

(d) Public subsidies received

There were no public subsidies received during the 12 month period ended 31 December 2016.

	Year Ended 31 December 2016			
	Turnover	Average FTE	Profit/(loss) before tax	Corporation tax paid/(refunded)
	US\$m		US\$m	US\$m
Europe				
United Kingdom	15,477	42,352	(1,564)	145
- Of which: UK Bank Levy Charge	-	-	(922)	-
France	2,599	8,275	581	94
Germany	888	2,597	253	70
Switzerland	323	1,278	(589)	-
Turkey	485	4,186	(99)	(7)
Armenia	35	346	(15)	2
Belgium	6	18	-	-
Czech Republic	40	98	17	3
Greece	65	377	19	4
Guernsey	245	163	202	5
Ireland	113	348	28	3
Isle of Man	19	48	11	2
Israel	43	88	24	7
Italy	78	126	34	14
Jersey	186	838	82	11
Luxembourg	109	310	(28)	-
Malta	201	1,269	72	22
Monaco	71	193	(18)	4
Netherlands	26	31	17	2
Poland	118	1,925	8	-
Russian Federation	85	235	55	9
South Africa	121	207	86	26
Spain	104	141	11	17
Asia				
Hong Kong ¹	15,152	28,997	8,287	1,313
Australia	842	1,624	369	124
Mainland China	2,410	22,749	2,581	65
Of which: BoCom	-	-	1,867	-
India	2,063	34,237	746	315
Indonesia	575	5,349	182	45
Malaysia	916	8,853	356	94
Singapore	1,289	3,103	439	80
Taiwan	376	2,135	149	10
Bangladesh	165	857	102	61
Brunei	48	415	(6)	6
Japan	240	426	85	9
Korea, Republic of	276	651	147	49
Macau	103	230	65	7
Maldives	18	21	15	5
Mauritius	70	359	39	4
New Zealand	86	215	45	16
Philippines	284	5,247	52	4
Sri Lanka	194	4,129	93	41
Thailand	150	459	92	4
Vietnam	161	1,259	80	18

Country-by-country reporting (continued)

	Year Ended 31 December 2016			
	Turnover US\$m	Average FTE	Profit/(loss) before tax US\$m	Corporation tax paid/(refunded) US\$m
Middle East and North Africa				
Egypt	637	2,812	444	90
Saudi Arabia ²	-	-	435	-
United Arab Emirates	1,326	3,014	485	86
Algeria	29	123	16	7
Bahrain	102	217	49	-
Kuwait	36	73	(2)	-
Lebanon	48	206	15	3
Oman	195	927	60	2
Qatar	200	330	104	9
North America				
Canada	1,568	5,443	539	86
United States	7,012	12,900	(310)	19
Bahamas	11	4	-	-
Cayman Islands	2	6	(5)	-
Bermuda	398	539	216	-
Latin America				
Argentina	908	4,292	294	63
Brazil	1,530	11,430	(358)	149
Mexico	2,030	16,045	247	26
Chile	30	110	7	(1)
Uruguay	66	291	6	-
Group Accounting Adjustments ³				
Intra-HSBC transactions eliminated on consolidation	(9,505)	-	-	-
Goodwill impairment	-	-	(3,240)	-
Disposal of Brazil operations	(3,011)	-	(3,011)	-
Fair value option accounting for issued debt at Group level	(985)	-	(985)	-
Net investment hedge accounting at Group level	(680)	-	(680)	-
Other	(836)	-	(319)	-
	47,966	245,526	7,112	3,242

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

2. Income from associate, Saudi British Bank and SABB Takaful

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

4. Total loss on disposal of Brazil was \$1.7bn comprising \$3bn loss included within Group Accounting adjustments and \$1.3bn profit reported in the United Kingdom

The Group's principal subsidiaries (as at 31 December 2016) and country of operation are as follows:

Principal subsidiary	Country	Nature of activities ¹
Europe		
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
Asia		
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 ²	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
Middle East and North Africa		
HSBC Bank Middle East Limited	United Arab Emirates	RBWM, CMB, GB&M, GPB
HSBC Bank Egypt S.A.E.	Egypt	RBWM, CMB, GB&M
North America		
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
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 ('CMB'), Global Banking and Markets ('GB&M') and Global Private Banking ('GPB'). Refer to pages 18 - 19 of HSBC's Annual Report and Accounts 2016 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 265 to 271 of HSBC's *Annual Report and Accounts 2016*.

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 2016 ("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.

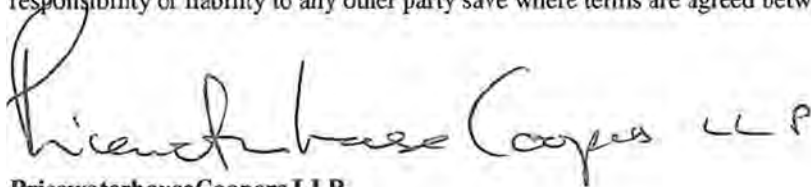
Opinion

In our opinion, the country-by-country information in the schedule as at 31 December 2016 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.



PricewaterhouseCoopers LLP
Chartered Accountants
26 April 2017
London