

BASE PROSPECTUS SUPPLEMENT



HSBC Bank plc

(A company incorporated with limited liability in England with registered number 14259)

as Issuer

This base prospectus supplement (the "**Base Prospectus Supplement**") is supplemental to and must be read in conjunction with (i) the base prospectus dated 24 May 2013 relating to the Debt Issuance Programme (the "**DIP Base Prospectus**"); (ii) the base prospectus dated 31 May 2013 relating to the Warrant and Certificate Programme (the "**WCP Base Prospectus**"); (iii) the base prospectus dated 24 June 2013 relating to the issuance of Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes under the Programme for the Issuance of Notes and Warrants (the "**Vanilla Rates Base Prospectus**"); (iv) the base prospectus dated 24 June 2013 relating to the issuance of Preference Share-Linked Notes under the Programme for the Issuance of Notes and Warrants (the "**Preference Share-Linked Base Prospectus**"); and (v) the base prospectus dated 24 June 2013 relating to the issuance of Market Access Notes under the Programme for the Issuance of Notes and Warrants (the "**Market Access Base Prospectus**") (the DIP Base Prospectus, the WCP Base Prospectus, the Vanilla Rates Base Prospectus, the Preference Share-Linked Base Prospectus and the Market Access Base Prospectus together being hereafter referred to as the "**Base Prospectuses**") each prepared by HSBC Bank plc (the "**Bank**") in connection with the applications made for Notes, Warrants or Certificates (as applicable) to be admitted to listing on the Official List of the Financial Conduct Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**")) and to trading on the regulated market of the London Stock Exchange plc.

This Base Prospectus Supplement constitutes a supplement for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and a supplementary prospectus for the purposes of section 87G of the FSMA. Terms defined in any of the Base Prospectuses shall have the same meaning when used in this Base Prospectus Supplement.

To the extent that there is any inconsistency between any statement in this Base Prospectus Supplement and any other statement in, or incorporated by reference in, any of the Base Prospectuses, the statements in this Base Prospectus Supplement will prevail.

The purpose of this Base Prospectus Supplement is to:

- Disclose that on 5 August 2013, the Bank published its unaudited consolidated interim report for the six months ended 30 June 2013 (the "**Unaudited Consolidated Interim Report**"), a copy of which is annexed hereto in Annex 5. Any document incorporated by reference into the Unaudited Consolidated Interim Report does not form part of this Base Prospectus Supplement.
- Disclose that B Robertson will retire as the Bank's Chief Executive and from the Bank's Board of Directors with effect from 30 September 2013. A M Keir has been appointed his successor as the Bank's Chief Executive and as a member of its Board of Directors with effect from 1 October 2013.
- Update the Summary contained in each of the WCP Base Prospectus, the Vanilla Rates Base Prospectus, the Preference Share-Linked Base Prospectus and the Market Access Base Prospectus (such revised Summaries being set out in Annexes 1, 2, 3 and 4 hereto, respectively) with certain of the information disclosed in the Unaudited Consolidated Interim Report, namely:
 - o updated trend information relating to the economy in the eurozone and the UK, as set out in Element B.4b (*Trends*);
 - o updated financial information relating to the six months ended 30 June 2013, as set out in Elements B.5 (*The Group*) and B.12 (*Key Financial Information*); and

- o updated key risks specific to the Bank, as set out in Element D.2 (*Risks Specific to the Issuer*).

Save as disclosed in this Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectuses has arisen since the publication of the Base Prospectuses.

In circumstances where Article 16(2) of the Prospectus Directive (as implemented in the United Kingdom by Section 87Q(4) of the FSMA) applies, investors who have agreed to purchase or subscribe for any Notes, Warrants or Certificates (as the case may be) prior to the publication of this Base Prospectus Supplement may have the right to withdraw their acceptance. Investors wishing to exercise any such right should do so by giving notice in writing to the person from whom they agreed to purchase or subscribe for such Notes, Warrants or Certificates no later than 27 August 2013, which is the final date for the exercise of such right to withdraw.

The Bank accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

22 August 2013

ANNEX 1

WCP BASE PROSPECTUS

SUMMARY

This section provides an overview of information included in this Base Prospectus. It includes blank placeholders for options provided for under the Programme which will only be known at the time of each issuance of Warrants. A completed summary of each individual issue will be annexed to the relevant Final Terms.

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

		Section A – Introduction and Warnings
A.1	Introduction:	This summary must be read as an introduction to this prospectus and any decision to invest in the Warrants should be based on a consideration of this prospectus as a whole, including any information incorporated by reference. Where a claim relating to the information contained in this prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member States, be required to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in the Warrants.
A.2	Consent:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive and there will be no public offer of the Warrants.
		Section B – Issuer
B.1	Legal and commercial name of the Issuer:	The legal name of the issuer is HSBC Bank plc (the "Issuer" or the "Bank") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.
B.2	Domicile and legal form of the Issuer:	The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public limited company.

		The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, <i>inter alia</i> , the Financial Services and Markets Act 2000 as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.																																								
B.4b	Trends:	Signs of stabilisation in the eurozone are emerging but the political and economic challenges remain considerable. In the eurozone periphery growth is still absent, unemployment rates are high and debt projections continue to be revised up. Economic activity is expected to remain subdued. The Issuer expects a contraction of GDP of 0.6 per cent in the eurozone in 2013. In the first half of 2013 the UK economic data has improved. However, the recovery remains fragile as inflation continues to outpace wage growth meaning real-terms pay is falling, restraining consumer demand. The Issuer expects the UK to grow by 0.8 per cent in 2013 which, while weak, is an improvement over 2012.																																								
B.5	The Group:	The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("HSBC Holdings", together with its subsidiaries, the "HSBC Group"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe. The HSBC Group is one of the largest banking and financial services organisations in the world. Its international network covers 80 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America; and Latin America. Its total assets as at 30 June 2013 were U.S.\$2,645 billion.																																								
B.9	Profit Forecast:	Not Applicable. There are no profit forecasts or estimates made in the prospectus.																																								
B.10	Audit Report Qualifications:	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer and its subsidiary undertakings for the financial years ended 31 December 2011 or 2012.																																								
B.12	Key Financial Information:	The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 and the unaudited consolidated interim report of the Issuer for the six months ended 30 June 2013.																																								
<table><tr><th rowspan="2"></th><th colspan="2">Year Ended</th><th>Half-year to</th></tr><tr><th>31 December 2011</th><th>31 December 2012</th><th>30 June 2013</th></tr><tr><td colspan="4">For the period (£m)</td></tr><tr><td>Profit on ordinary activities before tax</td><td>3,111</td><td>1,004</td><td>2,273</td></tr><tr><td>Total operating income.....</td><td>16,205</td><td>15,407</td><td>8,377</td></tr><tr><td>Net operating income before loan impairment charges and other credit risk provisions</td><td>14,023</td><td>12,488</td><td>6,925</td></tr><tr><td>Profit attributable to shareholders of the parent company</td><td>2,329</td><td>2,384</td><td>1,681</td></tr><tr><td colspan="4">At period end (£m)</td></tr><tr><td>Total equity attributable to shareholders of the parent company.....</td><td>31,090</td><td>31,675</td><td>31,911</td></tr><tr><td>Risk weighted assets.....</td><td>227,679</td><td>193,402</td><td>200,368</td></tr></table>					Year Ended		Half-year to	31 December 2011	31 December 2012	30 June 2013	For the period (£m)				Profit on ordinary activities before tax	3,111	1,004	2,273	Total operating income.....	16,205	15,407	8,377	Net operating income before loan impairment charges and other credit risk provisions	14,023	12,488	6,925	Profit attributable to shareholders of the parent company	2,329	2,384	1,681	At period end (£m)				Total equity attributable to shareholders of the parent company.....	31,090	31,675	31,911	Risk weighted assets.....	227,679	193,402	200,368
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Loans and advances to customers (net of impairment allowances)		288,014	282,685	282,498
Customer accounts		346,129	324,886	355,373
Ratio of customer advances to customer accounts.....		83.2	87.0	79.5
Capital ratios*				
Core Tier 1 ratio		9.1	11.4	11.1
Tier 1 ratio.....		10.0	12.4	12.0
Total capital ratio.....		14.4	17.3	16.9
Performance and efficiency ratios (annualised %)				
Return on average shareholders' funds (equity) of the parent company		7.4	3.5	10.6
Cost efficiency ratio		66.2	82.0	59.2
* Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.				
		There has been no material adverse change in the prospects of the Issuer since 31 December 2012. There has been no significant change in the financial or trading position of the Issuer since 30 June 2013.		
B.13	Recent Events:	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.		
B.14	Dependence upon other entities within the Group:	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group (the "Group"). The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.		
B.15	The Issuer's Principal Activities:	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: UK Retail Banking; Continental Europe Retail Banking; Global Banking and Markets; and Global Private Banking.		
B.16	Controlling Persons:	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.		
		Section C – Securities		
C.1	Description of Type and Class of Securities:	Issuance in series: Warrants will be issued in series which may comprise one or more tranches issued on different issue dates. The Warrants of each tranche of the same series will all be subject to identical terms, except for the issue dates and/or issue prices of the respective tranches. [The [Warrants][Certificates] being issued are Series [], Tranche [] [Warrants/Certificates] linked to []]. The number of [Warrants/Certificates] being issued is []. All references to "Warrants" in this summary include Certificates where applicable. Form of Warrants: [Warrants in book-entry form: The Warrants will be issued in book-entry form and represented by a global warrant.]		

		<i>[Warrants in registered form:</i> The Warrants will be issued in registered form and represented by [a restricted global registered warrant which will be [deposited with a custodian for, and registered in the name of a nominee for the Depositary Trust Company ("DTC")][deposited with a common depositary for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg")] [[an unrestricted global registered warrant] [a combined global registered warrant] which will be deposited with a common depositary for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg")] Security Identification Number(s): The Warrants have been accepted for clearance through [Euroclear][,/and] [Clearstream, Luxembourg] [and] [DTC]. The Warrants will be allocated the following Security Identification Number[s]: ISIN Code: [] [Common Code: []] [CUSIP: []] [Valoren Number: []] [SEDOL: []]
C.2	Currency of the Securities Issue:	The Settlement Currency is []
C.5	Free Transferability:	The Warrants are freely transferable. However, there are restrictions on the offer and sale of the Warrants and the Issuer and the Managers have agreed restrictions on the offer, sale and delivery of Warrants and on distribution of offering materials in the United States, the European Economic Area, the United Kingdom, France, Australia, Kingdom of Bahrain, Hong Kong, Japan, Singapore, India, Indonesia, Korea, Malaysia, the People's Republic of China, Philippines, Russia, Switzerland, Taiwan, Thailand, United Arab Emirates (excluding the Dubai International Financial Centre) and Vietnam. In addition, investors of the Warrants, by their purchase of the Warrants, will be deemed to have given certain representations, warranties, undertakings, acknowledgements and agreements.
C.8	The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:	Cash call options: Warrants give the holder rights, including the right to receive a cash amount from the Issuer calculated by reference to the value of [], being the Reference Asset[s], being the Reference Ind[ex][ices]]. Warrants create call options exercisable by the Warrantholder; there is no obligation upon such Warrantholder to exercise its Warrant nor any obligation upon the Issuer to pay any amount in respect of unexercised

		Warrants. Payment under the Warrants: [The Warrantholder will receive one type of payment under the Warrants: the "Cash Settlement Amount"]. [There are two types of payment a Warrantholder will receive under the Warrants: the "Cash Settlement Amount" on exercise of the Warrant and any "Additional Amounts" during the term of the Warrants.] [(1)] <i>Cash Settlement Amount:</i> [The Warrants are "Equity-Linked Warrants" and therefore the Cash Settlement Amount payable is linked to [one security][a basket of securities], namely [] (the "Reference Assets"). The Cash Settlement Amount of each Equity-Linked Warrant is calculated by identifying the "Realisable Sale Price" of the Reference Assets linked to one Warrant, dividing such price by an exchange rate (embedding conversion costs) to convert such price from the currenc[y/ies] in which the underlying[s] [is][are] quoted on an exchange, namely [] (the "Reference Currency") into the currency in which the Warrants are denominated, namely [] (the "Settlement Currency") and subtracting a percentage fee retained by the Managers or their affiliates. The "Realisable Sale Price" will be determined[, taking into account the weighting of each Reference Asset in the basket,] on a particular date or dates by reference to payments which the Issuer or its designated Affiliate receives in unwinding the arrangements it has entered into to hedge the price risk and currency risk of the Reference Assets at the time of such determination (for instance, selling equity securities, redeeming related financial instruments or closing out of hedge transactions) or if no such hedging has been entered into, a notional amount of what the Issuer would have received if it had done so, as determined by the Calculation Agent, less any other costs (including, for instance, brokers' fees, transaction processing fees and actual or potential taxes, including those costs that would be incurred by the Issuer and/or its designated Affiliates of investing in the Reference Assets whether directly or synthetically).] [In addition, a provision may be made for tax for [the][each] Reference Asset in the PRC where the exact amount of tax payable is uncertain. The Issuer will reimburse the Warrantholder to the extent the provision made turns out to be too high, or the Warrantholder will reimburse the Issuer to the extent it is too low. If no tax is determined to be payable by a long-stop date, the Issuer will reimburse the Warrantholder for the whole of the provision, provided that the Warrantholder shall remain liable to the Issuer if the amount of tax is clarified subsequent to the long-stop date.] [The Warrants are "Index-Linked Warrants" and therefore the Cash Settlement Amount payable is linked to [one index][several indices], namely [MSCI [] Index] [FTSE [] Index] [TSWE [] Index] [Kospi [] Index] [Hang Seng [] Index] [TOPIX [] Index] [S&P [] Index] []] The Cash Settlement Amount of each Index-Linked Warrant is calculated by identifying the "Final Index Level" of [the Reference Index] [the basket of Reference Indices] linked to the Warrant, and subtracting a percentage fee retained by the Managers or their affiliates. The "Final Index Level" is determined [, taking into account the weighting of each Reference Index in the basket,] on a particular date or dates by reference to: [payments which the Issuer or its designated Affiliate receives in unwinding the arrangements it has entered into to hedge the final index level and currency risk of [the][each] Reference Index (for instance,
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	selling equity securities underlying the Reference Index, selling futures or options contracts relating to the Reference Index, redeeming related financial instruments or closing out of hedge transactions) or if no such hedging has been entered into, a notional amount of what the Issuer would have received if it had done so, as determined by the Calculation Agent] [official settlement prices disclosed on an exchange for settling futures or options contracts] [the level of the Reference Index], as converted (where applicable) into the currency in which the Warrants are denominated (the "Settlement Currency") at an exchange rate embedding conversion costs, and less any other costs incurred by the Issuer or its affiliates (including, for instance, brokers' fees and taxes levied on securities held which underlie the Reference Index).] [(2) <i>Additional Amounts:</i> This series of Warrants will entitle the Warrantholder to Additional Amounts equal to distributions which would be payable to a notional holder of a fixed amount of the [Reference Asset][Reference Assets][Reference Index][Reference Indices] (such as dividends or interest payments) which is an institution subject to the same laws as the Issuer and/or its designated Affiliates. Such amounts will be payable in cash converted from the Reference Currency into the Settlement Currency at an exchange rate that would have been used in connection with such conversion.] The Warrants do not bear interest. No guarantee or security: The Warrants are the obligations of the Issuer only and are unsecured. Status of the Warrants: Warrants issued under the Programme will be unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (unless preferred by law). No events of default: There are no events of default applicable to the Warrants. Tax: Warrantholders will be liable for and/or subject to any taxes, including withholding tax, payable in respect of the Warrants. Modification and substitution: Modifications to the terms and conditions of the Warrants (the "Conditions") may be made without the consent of any Warrantholders to cure any ambiguity or manifest error or correct or supplement any Conditions provided that it is not materially prejudicial to the interest of Warrantholders, or is of a formal, minor or technical nature or comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation, or corrects inconsistency between the final terms and the relevant termsheet relating to the Warrants. The Warrants permit the substitution of the Issuer with its Affiliate without the consent of any Warrantholder where the Issuer provides a guarantee of the Affiliate's obligations. Termination for Illegality: If the Calculation Agent determines that the performance of the Issuer's obligations under any Warrants has become unlawful or impractical in whole or in part for any reason, the Issuer may terminate such Warrants early in accordance with the Conditions.
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		Governing Law: English law.
C.11	Listing and Trading:	Application has been made to admit Warrants issued under the Programme to the Official List of the Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc. [Application will be made for the Warrants to be admitted to listing on the Official List and to trading on the London Stock Exchange effective on or about [].]
C.15	Effect of value of underlying instruments:	[The Warrants can only be acquired for consideration of at least EUR 100,000 per Warrant.] [The Warrants can be acquired for less than EUR 100,000 per Warrant.] The Warrants are designed to track the price of [] [(the "Reference Asset[s]")][(the "Reference Ind[ex][ices]")]. The Cash Settlement Amount payable on exercise of any Warrant is linked to a [fixed amount of the Reference Asset[s]][fixed level of the Reference Ind[ex/ices] by way of a hedge in respect of such [fixed amount of the Reference Asset[s]][fixed level of the Reference Ind[ex/ices] (whether directly or synthetically). In general, as the value of the [Reference Asset[s]][Reference Ind[ex/ices] increases or decreases, so will the Cash Settlement Amount payable in respect of such Warrants. [The quoted price of the Reference Asset[s]][The quoted level of the Reference Ind[ex/ices] may diverge from the Cash Settlement Amount payable under the Warrant owing to any disparity between the hedge and the Reference Asset, and subject to the deduction of costs, such as, amongst other things, brokers fees, transaction processing fees and actual or potential taxes, and including those costs that would be incurred by the Issuer and/or its designated Affiliates of investing in the Reference Assets whether directly or synthetically, and a fee to be retained by the Issuer, the Managers and/or their Affiliates.
C.16	Expiration or maturity date:	The Expiry Date in respect of the Warrants is [] (the "Expiry Date"). The Warrants are: ["American Style Warrants" and are therefore exercisable on any Business Day during period beginning on (and including) [•] and ending on (and including) the Expiry Date. ["European Style Warrants" and are therefore exercisable on the Expiry Date] ["Bermudan Style Warrants" and therefore exercisable on [][and/or] [the Expiry Date]]
C.17	Settlement procedure:	The Warrants will be cash-settled. [Any Cash Settlement Amount or Additional Amount due to the Warrantholder will be paid through [DTC][,/and] [Euroclear] [and] [Clearstream, Luxembourg]
C.18	Return on securities:	The date on which the Cash Settlement Amount is scheduled for payment is the [fifth] [] business day following [the last date on which an unwind of any applicable underlying hedge transaction relating to the Warrants has been achieved or which the Calculation Agent determines would have been achievable by the Issuer and/or its designated Affiliates][the valuation date or, if applicable, the last averaging date, on which an official settlement price (or any applicable fallback) for settling one or

		more exchange-traded contracts relating to the Warrants is determined][the valuation date or, if applicable, the last averaging date, on which the reference level of the Reference Index or Reference Indices relating to the Warrants is determined]. [Unless exercised before the Expiry Date, the Warrants will be automatically exercised on such date, at which time the Warrantholder will be entitled to receive the Cash Settlement Amount (if any).] [To be entitled to any Cash Settlement Amount, the Warrantholder will be required to deliver an exercise notice to the Principal Warrant Agent before 10.00 a.m. on the Expiry Date, otherwise the Warrant shall become void.] [The Additional Amount will be valued as at the date the Distribution is notified as the record date for payment to the holders of the underlying securities. Provided that the distribution falls within the period from [(but excluding)] [and (including)] [•] to [(and including)] [(but excluding)] [•] (the "Additional Payment Period") and the Issuer has determined a Notional Holder would have received payment in full of a corresponding amount had the Notional Holder held the Securities, the Additional Amounts will be due from the Issuer on the next payment date for payment of Additional Amounts.]
C.19	Exercise price or final reference price of the underlying:	On exercise of the Warrant, the Cash Settlement Amount will be calculated by ascertaining a cash amount which [the Issuer has received under the hedging arrangements it has entered into or the Issuer would notionally receive had it hedged such a [fixed amount of the Reference Asset] [fixed number of units in the Reference Index, averaged out over a period] [correlates to the official settlement price of a futures or options contract] [correlates to the level of an index]. The Calculation Agent then deducts certain cost items (such as, amongst other things, brokers fees, transaction processing fees and actual or potential taxes) and a fee to be retained by the Issuer, the Managers and/or their Affiliates.
C.20	Type of the underlying:	The Warrants are: ["Equity-Linked Warrants", being Warrants in relation to which the Cash Settlement Amount is linked to [one security, namely][a basket of securities, comprised of], [] (the "Securities"). The Securities are the Reference Asset[s] to which the Warrants are linked.] ["Index-Linked Warrants", being Warrants in relation to which the Cash Settlement Amount is linked to [one index, namely][a basket of indices, comprised of] [MSCI [] Index] [FTSE [] Index] [TSWE [] Index] [Kospi [] Index] [Hang Seng [] Index] [TOPIX [] Index] [S&P [] Index] []] References to ["Reference Asset"] ["Reference Index"], either in the singular or plural form, shall refer to any [Reference Asset] [Reference Index] (as the case may be) applicable to a Series of Warrants. [Information on the [Reference Assets/Reference Index] can be found [].

		Section D – Risks
D.2	Risks Specific to the Issuer:	The Bank has exposure to the ongoing economic crisis in the eurozone: There is potential for contagion from the continued instability in the eurozone from the peripheral to the core eurozone countries, and beyond to trading partners. The Bank is exposed to institutions and banks which may be affected by sovereign or currency crises. The Bank has significant exposure to counterparty risk both within the financial sector and to other risk concentrations: Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect its funding and its ability to manage the risks of its business. Liquidity, or ready access to funds, is essential to the Bank's business: If the Bank is unable to raise funds, its liquidity position could be adversely affected and the Bank might be unable to meet deposit withdrawals or obligations under committed financing facilities, to fund new investments or to repay borrowings as they mature. The Bank's operations are highly dependent on its information technology systems: The reliability and security of the Bank's information and technology infrastructure and the Bank's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service or a material breach of security could cause long-term damage to the Bank's business and brand. The Bank faces a number of challenges in regulation and supervision and associated regulatory risks: The proposals relating to Basel III, the draft legislation proposed by the UK Independent Commission on Banking ("ICB"), the recommendations of the Liikanen Group and the Capital Requirements Directive IV are likely to have an effect on the activities of the Group. The proposals and finalised legislation relating to capital and liquidity will result in increased capital and liquidity requirements and could have a material effect on the Group's future financial condition or results of its operations. The ICB proposals may affect the manner in which the Group conducts its activities and structures itself, with the potential to both increase the costs of doing business and curtail the types of business carried out, with the risk of decreased profitability as a result. In addition, the new regulatory structure within the UK comprising the Financial Policy Committee ("FPC"), the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") may affect the Bank, and the Group and its activities, in particular as the FPC has the ability to seek additional capital for lending to sectors perceived as higher risk. The FCA has continued to increase its focus on 'conduct risk' including attention to sales processes and incentives, product and investment suitability and conduct of business concerns more generally. In conjunction with this focus, the UK regulators are making increasing use of existing and new powers of intervention and enforcement. This may lead to significant costs and liabilities for the Bank.

		Regulatory investigations: HSBC Holdings has entered into agreements with US and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Failure to comply with the terms of such agreements, may have an adverse effect on the Group. In addition, the Group continues to be subject to a number of other regulatory proceedings into certain past submissions made by panel banks in connection with the setting of London interbank offered rates and other benchmark interest and foreign exchange rates and in relation to alleged anti-competitive activity in the credit derivative market. Remediation: The Group has established customer redress programmes in relation to the possible mis-selling of Payment Protection Insurance policies and interest rate products sold to small businesses. There remains a high degree of uncertainty as to the eventual costs of redress for these matters.
D.6	Risks specific to the securities:	Credit risk: The Warrants are direct, unsubordinated and unsecured obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Warrants, in the worst case scenario, investors in the Warrants could lose all of their invested amounts. The Warrants are unsecured obligations: The Warrants are not secured and so investors would not have recourse to the Reference Assets or securities underlying the Reference Index (as applicable) or any other security or collateral. If the Issuer becomes unable to pay amounts owed to investors under the Warrants, such investor does not have any recourse to any assets and may not receive any payments under the Warrants. The Warrants are not ordinary debt securities: The Warrants do not pay interest and, upon expiry or upon exercise, may return less than the amount invested or nothing. Warrants are designed to track the price of the Reference Assets or level of the Reference Index (as applicable). If the performance of such underlying does not move in the anticipated direction or if the issuer thereof becomes insolvent, the Warrants will be adversely affected and, in a worst case scenario, may become worthless. Payments under the Warrants may be delayed: Payments to Warrantholders which are calculated by reference to hedging arrangements will only be due if the proceeds would have been received by an investor outside the jurisdiction where the Reference Assets or securities underlying a Reference Index are listed or quoted. There is a risk that limitations on the importation and withdrawal of funds in such jurisdiction could lead to potential delays in payments under the Warrant or, in the worst case, the Warrants becoming worthless. No ownership rights: The Warrants do not confer any legal or beneficial interest or any voting or dividend rights in the Reference Asset or the securities underlying the Reference Index.

	There may be no active trading market or secondary market for liquidity for Warrants: Any series of Warrants may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Warrants until the expiry of such Warrants or may not realise a return that equals or exceeds the purchase price of their Warrants. Certain factors affecting the value and trading price of Warrants: The Cash Settlement Amount payable under the Warrants may be affected by fluctuation in value of the Reference Asset or Reference Index (as applicable), changes in interest rates, volatility of the Reference Asset or Reference Index, time remaining to expiry, dividend rates on the Reference Asset or the securities underlying a Reference Index or, where applicable, the number and type of underlying Reference Assets or Reference Indices included in a basket to which the relevant Warrants relate. Conflicts of interest may arise between the interests of the Issuer or its affiliates and those of the Warrantholders: The Issuer or its affiliates may enter into hedging or other transactions (i) relating to Reference Assets or securities underlying a Reference Index (as applicable) or (ii) with issuers of Reference Assets or securities underlying a Reference Index (as applicable). The Issuer or its affiliates may also publish research or other reports relating to Reference Assets or securities underlying a Reference Index (as applicable). Any such activities may have a negative effect on the value of Warrants relating to such Reference Assets or Reference Indices. In addition, the Issuer may assume roles as hedging party, service providers in respect of Reference Assets which are funds, calculation agent under the Warrants or publisher of research reports. In respect of any of these roles the Issuer may have interests that conflict with the interests of Warrantholders. Commission and cost of hedging: The issue price of the Warrants may include commissions charged by Issuer or its affiliates and expected costs of hedging the Issuer's obligations under the Warrants. Accordingly, there is a risk that, upon issue, the market price of Warrants may be lower than original issue price of the Warrants. Also, fees, commission and hedging costs may be deducted from the Cash Settlement Amount. [Exchange rate risks and exchange control risks: The Issuer will pay amounts in respect of the Warrants in the Settlement Currency. Where the Reference Currency is not the same as the Settlement Currency, amounts payable under the Warrants may be affected by multiple currency conversion costs which may be passed on to investors. Where the Settlement Currency is not the same as the investor's home currency, the realisable value of the investment in the investor's home currency may be at risk from fluctuations in the exchange rate. Government and monetary authorities may impose or modify exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. As a result of such restrictions and controls the Issuer may suspend its obligations to make any payment under any Warrants if and for as long as such exchange controls have occurred and are continuing. Warrantholders shall not be entitled to any interest or other compensation in respect of any such suspension.]
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	[Market Disruption Events and Additional Disruption Events: In the case of early closure of the relevant exchange, disruption of such exchange or suspension of trading on such exchange ("Market Disruption Events") or a hedging disruption, a change in applicable laws, an increased cost of hedging, where applicable, an insolvency filing of the issuer of the Reference Asset or a foreign exchange disruption event ("Additional Disruption Events"), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or termination of the Warrants in case of a Additional Disruption Event in respect of such Warrants may have an adverse effect on the value of such Warrants and/or the Cash Settlement Amount.] Illegality may cause the Issuer's obligations under the Warrants to be terminated early: If the Calculation Agent determines the performance of the Issuer's obligations under any Warrants shall have become unlawful or impracticable, the Issuer may terminate its obligations under the Warrants and pay a sum representing the fair value of the Warrants. As a result Warrantholders will forego any future appreciation in the relevant Reference Asset or securities underlying the relevant Reference Index (as applicable), may suffer a loss of some or all of their investments and lose the ability to exercise the Warrants on the relevant exercise date(s) (if applicable). Considerations regarding hedging: The value of the Warrants may not exactly correlate with the value of the [Reference Asset[s]] [Reference Ind[ex][ices], [], to which the Warrant relates.] Tax risks: The amount of a payment to the investor under the Warrants may be decreased to take into account the effect of taxes on an investment in the Reference Assets or securities underlying a Reference Index. There is a risk that tax law or practice will change in the future resulting in the imposition of or increase in tax on an investment in, or disposition of, Reference Assets or securities underlying a Reference Index. This will result in a decrease of the amounts payable under the Warrants. Also, investors in the Warrants will be obliged to pay all taxes payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Additional Amount. [Specific risks relating to Index-Linked Warrants: The sponsor of a Reference Index may amend rules applicable to the determination of the level of such index, replace such index with a successor index or cancel such index. Such actions may give rise to an adjustment to the terms of the Warrants or early termination of the Warrants. As a result hereof the value of the Warrants may adversely affected and/or investors may loss some or all of their invested amount in the Warrants.] [Specific risks relating to Equity-Linked Warrants: If a Potential Adjustment Event occurs and dilutes the theoretical value of the Reference Asset or an Extraordinary Event occurs, the Calculation Agent may make corresponding adjustments to the conditions of the Warrants which may adversely affect the Cash Settlement Amount payable or (in the case of Extraordinary Events) may terminate the Warrants; as a result the Warrantholder may lose some or all of its investment.][As the Reference Assets are units in a fund, the investor will be exposed to the risks of specific regulation affecting funds, risk relating to the fund's management and internal rules and, where the fund is a synthetic fund, also from counterparty risk from the swap counterparty].
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		[Emerging market risks: Investors in Warrants relating to [Reference Assets] [securities underlying a Reference Index] which are issued in or located in or listed on an exchange in an emerging market should be aware that investment in emerging markets are subject to greater risks than well-developed western markets. Institutions relied upon for the efficient functioning of capital markets, such as stock exchanges, economic, legal and regulatory institutions, systems for the clearing, settlement and registration of securities, may be less developed. Disclosure standards may be less onerous on issuers and accountancy practices may differ from those which are internationally accepted. Political conditions in certain geographic locations where the issuers of Reference Assets may operate may be volatile or unstable, and there could be increased price volatility.] [RMB risks: There are restrictions on the conversion of RMB into other currencies. The amount of offshore RMB deliverable outside PRC may be limited, which may affect the liquidity of offshore RMB linked Warrants. The market for offshore RMB is a different market to that of RMB deliverable in PRC. The offshore RMB exchange rate may be influenced by the onshore RMB exchange rate. The offshore RMB market may become illiquid or offshore RMB may become inconvertible or non-transferable. In such circumstances the Issuer may settle payments under the Warrants in another currency. In addition, interest rates are government-controlled in PRC and changes therein may affect the offshore RMB interest rate which may cause the value of the Warrants to fluctuate.] <i>Investors may lose the value of their entire investment or part of it, as the case may be.</i>
		Section E – Offer
E.2b	Reasons for the Offer and Use of Proceeds:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus reasons for the offer and use of proceeds are not required.
E.3	Terms and Conditions of the Offer:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus a description of the terms and conditions of the offer is not required.
E.4	Interests Material to the Issue:	The Issuer or its Affiliates may engage in transactions involving Reference Assets or Reference Index which may have a positive or negative effect on the value of such Reference Assets or Reference Index and therefore on the value of any Warrants to which they relate. Certain Affiliates of the Issuer may also be the counterparty to the hedge of the Issuer's obligations under an issue of Warrants [and [] is the Calculation Agent responsible for making determinations and calculations in connection with the Warrants] [and may be a service provider in respect of Reference Assets which are funds]. The Issuer or its Affiliates may from time to time advise the issuer or obligors of, or publish research reports relating to, Reference Assets. The views or advice may have a positive or negative effect on the value of the [Reference Assets] [Reference Indices] and may be inconsistent with purchasing or holding the Warrants relating to the [Reference Assets] [Reference Index].

		[Fees [are][may be] payable by the Issuer to the Manager(s) acting as underwriter(s) of issues of the Warrants.] Save as disclosed above, no person involved in the issue of the Warrants has an interest material to the issue.
E.7	Estimated Expenses:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and expenses in respect of the listing of Warrants are not charged directly by the Issuer or Managers to the investor.

ANNEX 2

VANILLA RATES BASE PROSPECTUS

SUMMARY

This section provides an overview of information included in this Base Prospectus. It includes blank placeholders for options provided for under the Programme which will only be known at the time of each issuance of Notes. A completed summary for each individual issuance of Notes will be annexed to the relevant Final Terms.

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

		Section A – Introduction and Warnings
A.1	Introduction:	This summary must be read as an introduction to this prospectus and any decision to invest in the Notes should be based on a consideration of this prospectus as a whole by the investor, including any information incorporated by reference. Where a claim relating to the information contained in this prospectus is brought before a court in a Member State of the European Economic Area, the claimant might, under the national legislation of the Member States, be required to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent by the issuer for the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries, an indication of the offer period for which consent is given, and any other clear and objective conditions attached to such consent:	[The Issuer expressly consents to the use of this prospectus in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public Offer") of the Notes by the Dealer[s] [and []] ("Authorised Offeror") during the period from and including [] to but excluding [] (the "Offer Period") and in [Austria] [Germany] [Luxembourg] [The Netherlands] [the United Kingdom] only (the "Public Offer Jurisdiction[s]") [provided that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws [and the relevant Authorised Offeror must satisfy the following conditions: []]. The Issuer also accepts responsibility for the content of this prospectus with respect to the subsequent resale or final placement of the Notes by the Authorised Offeror.] [The Issuer reserves its right to consent to the use of this prospectus after the date of filing of the relevant final terms (the "Final Terms") in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public Offer") of the Notes during the period from and including [] to but excluding [] (the "Offer Period") in [Austria] [Germany] [Luxembourg] [The Netherlands] [the United Kingdom] only (the "Public Offer Jurisdiction[s]")]

		by identifying financial intermediaries who will be acting as authorised offerors ("Authorised Offeror") in respect of the Notes on its website www.hsbc.com (following links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'), [subject to the condition that [] and] on the condition that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws. [The Authorised Offeror will provide information to investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the investors.] [Not Applicable. The Issuer does not consent to the use of this prospectus in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public Offer") as the Notes will not be publicly offered.]
		Section B – Issuer
B.1	Legal and commercial name of the issuer:	The legal name of the issuer is HSBC Bank plc (the " Issuer ") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.
B.2	Domicile and legal form of the issuer:	The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public limited company. The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, <i>inter alia</i>, the UK Financial Services and Markets Act 2000, as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.
B.4b	Trends:	Signs of stabilisation in the eurozone are emerging but the political and economic challenges remain considerable. In the eurozone periphery growth is still absent, unemployment rates are high and debt projections continue to be revised up. Economic activity is expected to remain subdued. The Issuer expects a contraction of GDP of 0.6 per cent in the eurozone in 2013. In the first half of 2013 the UK economic data has improved. However, the recovery remains fragile as inflation continues to outpace wage growth meaning real-terms pay is falling, restraining consumer demand. The Issuer expects the UK to grow by 0.8 per cent in 2013 which, while weak, is an improvement over 2012.
B.5	The group:	The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("HSBC Holdings", together with its subsidiaries, the "HSBC Group"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe. The HSBC Group is one of the largest banking and financial services organisations in the world. Its international network covers 80 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America; and Latin America. Its

		total assets as at 30 June 2013 were U.S.\$2,645 billion.																																																																																				
B.9	Profit forecast:	Not Applicable. There are no profit forecasts or estimates made in this prospectus.																																																																																				
B.10	Audit report qualifications:	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer and its subsidiary undertakings for the financial years ended 31 December 2011 or 2012.																																																																																				
B.12	Key financial information:	The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 and the unaudited consolidated interim report of the Issuer for the six months ended 30 June 2013.																																																																																				
		<table><tr><th></th><th colspan="2">Year Ended</th><th>Half-year to</th></tr><tr><th></th><th>31 December 2011</th><th>31 December 2012</th><th>30 June 2013</th></tr><tr><td colspan="4">For the period (£m)</td></tr><tr><td>Profit on ordinary activities before tax</td><td>3,111</td><td>1,004</td><td>2,273</td></tr><tr><td>Total operating income.....</td><td>16,205</td><td>15,407</td><td>8,377</td></tr><tr><td>Net operating income before loan impairment charges and other credit risk provisions</td><td>14,023</td><td>12,488</td><td>6,925</td></tr><tr><td>Profit attributable to shareholders of the parent company</td><td>2,329</td><td>2,384</td><td>1,681</td></tr><tr><td colspan="4">At period end (£m)</td></tr><tr><td>Total equity attributable to shareholders of the parent company</td><td>31,090</td><td>31,675</td><td>31,911</td></tr><tr><td>Risk weighted assets.....</td><td>227,679</td><td>193,402</td><td>200,368</td></tr><tr><td>Loans and advances to customers (net of impairment allowances).....</td><td>288,014</td><td>282,685</td><td>282,498</td></tr><tr><td>Customer accounts</td><td>346,129</td><td>324,886</td><td>355,373</td></tr><tr><td>Ratio of customer advances to customer accounts.....</td><td>83.2</td><td>87.0</td><td>79.5</td></tr><tr><td colspan="4">Capital ratios*</td></tr><tr><td>Core Tier 1 ratio</td><td>9.1</td><td>11.4</td><td>11.1</td></tr><tr><td>Tier 1 ratio.....</td><td>10.0</td><td>12.4</td><td>12.0</td></tr><tr><td>Total capital ratio.....</td><td>14.4</td><td>17.3</td><td>16.9</td></tr><tr><td colspan="4">Performance and efficiency ratios (annualised %)</td></tr><tr><td>Return on average shareholders' funds (equity) of the parent company</td><td>7.4</td><td>3.5</td><td>10.6</td></tr><tr><td>Cost efficiency ratio</td><td>66.2</td><td>82.0</td><td>59.2</td></tr><tr><td colspan="4"><i>* Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.</i></td></tr></table>		Year Ended		Half-year to		31 December 2011	31 December 2012	30 June 2013	For the period (£m)				Profit on ordinary activities before tax	3,111	1,004	2,273	Total operating income.....	16,205	15,407	8,377	Net operating income before loan impairment charges and other credit risk provisions	14,023	12,488	6,925	Profit attributable to shareholders of the parent company	2,329	2,384	1,681	At period end (£m)				Total equity attributable to shareholders of the parent company	31,090	31,675	31,911	Risk weighted assets.....	227,679	193,402	200,368	Loans and advances to customers (net of impairment allowances).....	288,014	282,685	282,498	Customer accounts	346,129	324,886	355,373	Ratio of customer advances to customer accounts.....	83.2	87.0	79.5	Capital ratios*				Core Tier 1 ratio	9.1	11.4	11.1	Tier 1 ratio.....	10.0	12.4	12.0	Total capital ratio.....	14.4	17.3	16.9	Performance and efficiency ratios (annualised %)				Return on average shareholders' funds (equity) of the parent company	7.4	3.5	10.6	Cost efficiency ratio	66.2	82.0	59.2	<i>* Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.</i>			
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		There has been no material adverse change in the prospects of the Issuer since 31 December 2012. There has been no significant change in the financial or trading position of the Issuer since 30 June 2013.																																																																																				
B.13	Recent events:	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.																																																																																				
B.14	Dependence upon other entities within the group:	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group (the "Group"). The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.																																																																																				

B.15	The issuer's principal activities:	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: UK Retail Banking; Continental Europe Retail Banking; Global Banking and Markets; and Global Private Banking.
B.16	Controlling persons:	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.
B.17	Credit ratings:	The Issuer has been assigned the following long term credit ratings: AA- by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") Aa3 by Moody's Investors Service Limited ("Moody's") and AA- by Fitch Ratings Limited ("Fitch"). The Notes to be issued [have [not] been] [are expected on issue to be] rated[./:] [Standard & Poor's: []] [Moody's: []] [Fitch: []]
		Section C – Securities
C.1	Description of type and class of securities:	Issuance in series: Notes will be issued in series ("Series") which may comprise one or more tranches ("Tranches"). Each Tranche issued under a Series will have identical terms, except that different Tranches may comprise Notes in bearer form ("Bearer Notes"), registered form ("Registered Notes") or uncertificated registered form ("Uncertificated Registered Notes"). The issue dates, issue prices and amount of first interest payments under different Tranches may also vary. The [Bearer] [Registered] [Uncertificated Registered] Notes being issued are Tranche [] Notes (the "Notes") [and are to be consolidated and form a single series with [] issued on [] with ISIN: [] and Common Code: [] [and Valoren Number: [] [and SEDOL: [] [and WKN: [] [(the "Original Issue Security Identification Number[s]")]]. Form of Notes: [<i>Bearer Notes in definitive form:</i> Bearer Notes will be issued in definitive form and each definitive Bearer Note will carry a unique serial number. Bearer Notes are negotiable instruments and legal title to each will pass by physical delivery.] [<i>Bearer Notes in global form:</i> [Bearer Notes will initially be issued as temporary global Notes exchangeable for permanent global Notes which are exchangeable for definitive Bearer Notes, or registered Notes in definitive form in certain limited circumstances.] [Bearer Notes will be issued in global form and deposited with a [common depositary] [common safekeeper] for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Bearer Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream,

		Luxembourg.] <i>[Registered Notes in definitive form:</i> [Registered Notes will be issued in registered form as certificates and each certificate will carry a unique serial number. Registered Notes are not negotiable instruments and legal title to each will pass by registration of the unique serial number against a Noteholder's name in a register maintained by HSBC Bank plc in its capacity as registrar (the "Registrar").] <i>[Registered Notes in global form:</i> Registered Notes will be issued in global form and deposited with and registered in the name of a [common safekeeper] [common depositary] (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Registered Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream, Luxembourg.] <i>[Uncertificated Registered Notes:</i> Uncertificated Registered Notes will be issued in uncertificated registered form and deposited with CREST Co. Ltd ("CREST"). Legal title to Uncertificated Registered Notes is recorded by CREST on the Operator register of corporate securities (the "Operator Register") and will pass by registration of a transfer of ownership in the Operator Register. CREST will maintain in a record of uncertificated corporate securities which reflects the Operator Register.] Security Identification Number[s]: The [Bearer] [Registered] [Uncertificated Registered] Notes have been accepted for clearance through [Euroclear and/or Clearstream, Luxembourg] [CREST] and will be allocated the following Security Identification Number[s] [to be consolidated with the Original Issue Security Identification Number[s]]: ISIN Code: [] Common Code: [] [Valoren Number: []] [SEDOL: []] [WKN: []]
C.2	Currency of the securities issue:	The settlement currency of the Notes is [] (the " Settlement Currency ").
C.5	Free transferability:	The Notes are freely transferable. However, there are restrictions on the offer and sale of the Notes and the Issuer and [] (the " Dealer[s] ") have agreed restrictions on the offer, sale and delivery of the Notes and on distribution of offering materials in the Dubai International Financial Centre, the European Economic Area, France, Hong Kong, Italy, Japan, the Kingdom of Bahrain, The Netherlands, Norway, the People's Republic of China, Russia, Singapore, Spain, Switzerland, Taiwan, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States of America.
C.8	The rights attaching to the securities, including ranking and limitations to	Status of the Notes: The Notes will be direct, unsecured and unsubordinated obligations of the Issuer and will rank equally and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of

	those rights:	the Issuer (unless preferred by law). <i>Payments at maturity:</i> The Notes will have a final redemption amount which is equal to [] per cent. of their principal amount (the "Final Redemption Amount"). <i>Interest Payments:</i> [The Notes bear interest at [a] [fixed rate[s] ("Fixed Rate Notes") [floating rate[s] ("Floating Rate Notes").] [The Notes do not bear interest ("Zero Coupon Notes").] <i>Early redemption for illegality:</i> If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes early and pay the relevant investor an amount per Note equal to the fair market value of such Note or such other amount specified in the relevant final terms ("Final Terms") ("Early Redemption Amount"). <i>Early redemption for taxation reasons:</i> If the Issuer were required under the terms and conditions of the Notes (the "Conditions") to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the Noteholders, redeem all, but not some only, of such Notes and pay the relevant investor the Early Redemption Amount. <i>[Call Option:</i> The Issuer has the right to redeem the Notes in whole or in part by giving [] days notice [at any time] [on []] at a redemption amount equal to [] per cent. of their principal amount.] <i>[Put Option:</i> Noteholders have the right to have all of their Notes redeemed by giving [] days notice [at any time] [on []] at a redemption amount equal to [] per cent. of their principal amount.] <i>Modification and substitution:</i> Modifications to the Conditions may be made without the consent of any Noteholders to cure any ambiguity or manifest error or correct or supplement any Conditions provided that: (i) the modification is not materially prejudicial to the interest of Noteholders; (ii) the modification is of a formal, minor or technical nature or to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or (iii) the modification corrects inconsistency between the Final Terms and the relevant termsheet relating to the Notes. The Notes permit the substitution of the Issuer with its affiliates without the consent of any Noteholders where the Issuer provides an irrevocable guarantee of the affiliate's obligations. <i>Events of default:</i> The following events constitute events of default (each, an "Event of Default") under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal or interest
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		due on the Notes for more than 14 days, provided that the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to HSBC Bank plc, acting in its capacity as principal paying agent (the Principal Paying Agent"); or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of an amount per Note equal to [the fair market value of such Note] []. Meetings of Noteholders The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. No guarantee or security: The Notes are the obligations of the Issuer only and are unsecured. Taxation: All payments by the Issuer of principal and interest in respect of the Notes will be made without deduction of any United Kingdom taxes unless the Issuer is required by law to withhold or deduct any such taxes. Therefore, Noteholders will be liable for and/or subject to any taxes, including withholding tax, stamp duty, stamp duty reserve tax and/or similar transfer taxes, payable in respect of the Notes. Governing Law: English law.
C.9	The rights attaching to the securities, the nominal interest rate, the date from which interest becomes payable and due dates for interest, where the rate is not fixed a description of the underlying on which it is based, maturity date and arrangements for amortisation of the loan including repayment procedures, an indication of yield and the name of the representative of debt security holders:	The Notes will be issued on [] (the "Issue Date") at [] per cent. of their aggregate principal amount (the "Issue Price"). Interest rate: The Notes will [not] be interest bearing. [Interest payable on the Notes will accrue from [] (the "Interest Commencement Date") and interest payments on the Notes will be made on [] (the "Interest Payment Date[s]") [subject to adjustment to account for the applicable business day convention in the relevant business centre(s)].] [<i>Fixed Rate Notes:</i> [The interest rate payable on the Notes is [] per cent. per annum (the "Interest Rate").] [The interest rate payable on the Notes is [] per cent. per annum in respect of the period from the Interest Commencement Date until [] [and [] per cent. per annum in respect of the period from [] until [] [first] [] Interest Payment Date[s] [and] [] per cent. per annum in respect of the [] Interest Payment Date[s]] and [] per cent. per annum in respect of the last Interest Payment Date (each, an "Interest Rate") [and in each case subject to adjustments to account for fractional amounts payable].]

		<i>[Floating Rate Notes:</i> The interest rate payable on the Notes is a variable percentage per annum (the "Interest Rate") [subject to adjustments to account for fractional amounts payable]. [The Interest Rate will be limited to [a minimum of [] per cent. per annum ("Minimum Interest Rate") [and] [a maximum of [] per cent. per annum ("Maximum Interest Rate")].] The Interest Rate will be equal to the sum of a specified margin percentage rate (if any) [being [] per cent. per annum [in respect of the period from the Interest Commencement Date until [] and [] per cent. per annum in respect of the period from [] until []] and [a rate [] [per annum] calculated by reference to quotations provided electronically by banks in the relevant financial centre] [the floating rate under a notional interest rate on a swap transaction in the Settlement Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.] [, subject to the [Minimum Interest Rate] [and] [Maximum Interest Rate]].] <i>[Zero Coupon Notes:</i> The Notes are Zero Coupon Notes and do not bear interest. However, an accrual yield of [] per cent. per annum (the "Accrual Yield") is used for calculating the amount payable in respect of the Notes in case of their early redemption.] Redemption at Maturity: The maturity date of the Notes is [] (the "Maturity Date") [subject to adjustment to account for the applicable business day convention in the relevant business centre(s)]. <i>[Redemption of [Fixed Rate] [Floating Rate] Notes:</i> Unless previously redeemed or purchased or cancelled, each Note will be redeemed by the Issuer at [its par value] [[] per cent. of its par value] in the Settlement Currency on the Maturity Date.] <i>[Redemption of Instalment Notes:</i> Unless previously redeemed or purchased or cancelled, each Note will be redeemed in the Settlement Currency in instalments of [] on [] by the Issuer, with the last payment due on the Maturity Date (the "Instalment Amount").] <i>[Redemption of Zero Coupon Notes:</i> Unless previously redeemed or purchased or cancelled, each Note will be redeemed by the Issuer at par value plus the Accrual Yield on the Maturity Date.] Early redemption: <i>Early redemption for illegality:</i> If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes early and pay the relevant investor the Early Redemption Amount.
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		<i>Early redemption for an Event of Default:</i> The following events constitute Events of Default under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal or interest due on the Notes for more than 14 days, provided that the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to the Principal Paying Agent; or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of the Early Redemption Amount. <i>[Issuer's optional redemption (Call Option):</i> The Notes will be redeemable at the option ("Call Option") of the Issuer on [any Interest Payment Date] [], subject to [no less than five and no more than 30] [] days' irrevocable notice of the exercise of the Call Option, at a redemption amount equal to [] per cent. of their par value on [any Interest Payment Date] []. The Issuer may redeem [all] [some only] of the Notes outstanding at that time. The redemption amount payable will be calculated by the Issuer, and will include interest accrued but unpaid on such Notes.] <i>[Noteholder's optional redemption (Put Option):</i> The Notes will be redeemable at the option ("Put Option") of the Noteholder, at a redemption amount equal to [] per cent. of their par value on [any Interest Payment Date] [], subject to irrevocable notice being given to the Issuer and HSBC Bank plc, acting in its capacity as issue agent (the "Issue Agent"). The redemption amount payable on the amount of Notes over which the Noteholder has exercised its option will be calculated by the Issuer and will include interest accrued but unpaid on such Notes.] <i>Early redemption for taxation reasons:</i> If the Issuer were required under the Conditions to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the Noteholders, redeem all, but not some only, of such Notes and pay the relevant investor the Early Redemption Amount. <i>[Early redemption of Zero Coupon Notes:</i> If a Zero Coupon Note is redeemed prior to the Maturity Date, the Early Redemption Amount in respect of such Note shall be the sum of (1) [] (the "Zero Coupon Note Reference Price") and (2) the product of the Accrual Yield (compounded annually) applied to the Zero Coupon Note Reference Price from (and including) the Issue Date to (but excluding) the date upon which the Notes become due and payable subject to [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] (the "Day Count Fraction")]. [Conversion: [Any relevant amount payable in respect of the Notes shall be converted into the Settlement Currency by using the relevant Conversion Rate. [The Conversion Rate is [].]] Yield: The yield of the Notes will be calculated on the Issue Date with reference to
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		the Issue Price. Each such calculation of the yield of the Notes will not be an indication of future yield. The yield of the Notes is []. Representative of the Noteholders: Not Applicable. There is no representative appointed to act on behalf of the Noteholders.
C.10	Derivative component in the interest payment:	Not Applicable. There is no derivative component in calculating the interest payable under the Notes.
C.11	Listing and trading:	[Application [has been] [will be] made to admit the Notes to the Official List of the United Kingdom Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.] [Not Applicable. The Notes will not be admitted to trading on any regulated market.] [Not Applicable. The Notes have a denomination of more than EUR100,000 (or its equivalent in any other currency) per Note.]
C.21	Indication of the market where the securities will be traded and for which the prospectus has been published:	[Application [has been] [will be] made for the Notes to be admitted to trading on the regulated market of the London Stock Exchange plc.] [Not Applicable. The Notes will not be admitted to trading on any regulated market.] [Not Applicable. The Notes have a denomination of less than EUR100,000 (or its equivalent in any other currency) per Note.]
		Section D – Risks
D.2	Key risks specific to the issuer:	<i>The Issuer has exposure to the ongoing economic crisis in the eurozone:</i> There is potential for contagion from the continued instability in the eurozone from the peripheral to the core eurozone countries, and beyond to trading partners. The Issuer is exposed to institutions and banks which may be affected by sovereign or currency crises. <i>The Issuer has significant exposure to counterparty risk both within the financial sector and to other risk concentrations:</i> Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect its funding and its ability to manage the risks of its business. <i>Liquidity, or ready access to funds, is essential to the Issuer's business:</i> If the Issuer is unable to raise funds, its liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals or obligations under committed financing facilities, to fund new investments or to repay borrowings as they mature. <i>The Issuer's operations are highly dependent on its information technology systems:</i> The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service or a material breach of security could cause long-term damage to the Issuer's business and brand. <i>The Issuer faces a number of challenges in regulation and supervision and associated regulatory risks:</i> The proposals relating to Basel III, the draft legislation proposed by the UK Independent Commission on Banking ("ICB"),

		the recommendations of the Liikanen Group and the Capital Requirements Directive IV are likely to have an effect on the activities of the Group. The proposals and finalised legislation relating to capital and liquidity will result in increased capital and liquidity requirements and could have a material effect on the Group's future financial condition or results of its operations. The ICB proposals may affect the manner in which the Group conducts its activities and structures itself, with the potential to both increase the costs of doing business and curtail the types of business carried out, with the risk of decreased profitability as a result. In addition, the new regulatory structure within the UK comprising the Financial Policy Committee ("FPC"), the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") may affect the Bank, and the Group and its activities, in particular as the FPC has the ability to seek additional capital for lending to sectors perceived as higher risk. The FCA has continued to increase its focus on 'conduct risk' including attention to sales processes and incentives, product and investment suitability and conduct of business concerns more generally. In conjunction with this focus, the UK regulators are making increasing use of existing and new powers of intervention and enforcement. This may lead to significant costs and liabilities for the Issuer. Regulatory investigations: HSBC Holdings has entered into agreements with U.S. and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Failure to comply with the terms of such agreements may have an adverse effect on the Group. In addition, the Group continues to be subject to a number of other regulatory proceedings into certain past submissions made by panel banks in connection with the setting of London interbank offered rates and other benchmark interest and foreign exchange rates and in relation to alleged anti-competitive activity in the credit derivative market. Remediation: The Group has established customer redress programmes in relation to the possible mis-selling of Payment Protection Insurance policies and interest rate products sold to small businesses. There remains a high degree of uncertainty as to the eventual costs of redress for these matters.
D.3	Key risks specific to the securities:	Credit risk: The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario, investors in the Notes could lose all of their invested amounts. The Notes are unsecured obligations: The Notes are not secured over any asset. Therefore, the investor would not be able to enforce security as a method of recouping payments due under the Notes if the Issuer were to become insolvent and cease to be able to pay such amounts. There may be no active trading market or secondary market for liquidity for Notes: Any Series of Notes may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Notes until maturity of such Notes or may not realise a return that equals or exceeds the purchase price of their Notes. Illegality or changes in tax law may cause the Issuer's obligations under the Notes to be redeemed early: If the Calculation Agent determines the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable, or if the Issuer determines that it has become liable

		for, or payments under the Notes have become subject to, any taxes, the Issuer may redeem the Notes and [pay a sum representing the fair market value of the Notes] [and pay par value for the Notes]. [As a result, Noteholders will suffer a loss of some or all of their investments.] [[Furthermore,] [As a result,] Noteholders will forgo further interest payments.] <i>Taxation:</i> All payments under the Notes will be made without deduction of United Kingdom taxes unless otherwise required. Investors should therefore be aware that they may be subject to taxes in respect of transactions involving Notes depending, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. <i>Capital risks relating to Notes:</i> Unless the relevant Series of Notes is fully principal protected, the repayment of any amount invested in Notes and any return on investment is not fully guaranteed. As a result the investors' capital can fall below the amount initially invested. Unlike a savings account or similar investment, an investment in the Notes is not covered by the UK Financial Services Compensation Scheme. <i>Calculation Agent's discretion and valuations:</i> Calculation of amounts payable in respect of redemption of the Notes and any interest payments, if applicable, may be made by reference to specified screen rates and, in the absence of such display, at an amount determined by the Calculation Agent at its sole and absolute discretion acting in good faith. The Calculation Agent may be permitted to use its proprietary models to set the terms of adjustments which may be made under the Notes which may be difficult to verify without expertise in valuation models. <i>Exchange control risks:</i> Government and monetary authorities may impose or modify exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. As a result of such restrictions, the Issuer may make payments under the Notes in U.S. dollars or another currency than the Settlement Currency. As a result, investors will forego any future appreciation of the Settlement Currency. <i>Exchange rate risks:</i> The Issuer will pay amounts in respect of the Notes in the Settlement Currency. Where the Settlement Currency is not the same as the investor's preferred currency, the realisable value of the investment in the investor's preferred currency may be at risk from fluctuations in the exchange rate. <i>[Emerging markets currency risks:</i> Notes issued may settle in an emerging markets currency. Investors in such Notes should be aware that these markets are subject to greater risks than well developed markets. Currencies of emerging markets countries may be volatile and subject to exchange controls. If the Settlement Currency is an emerging markets currency, the Notes may provide that the Issuer is entitled to make payments in an alternative payment currency if it is not possible or impracticable for the Issuer to make payments in the Settlement Currency due to such emerging markets currency risks.] <i>Conflicts of Interest may arise between the interests of the Issuer or its affiliates and those of the Noteholders:</i> The Issuer may assume roles as hedging party and calculation agent under the Notes. In respect of any of these roles the Issuer may have interests that conflict with the interests of Noteholders. <i>Commission and cost of hedging:</i> The Issue Price of the Notes may include the distribution commission or fee charged by Issuer or its affiliates and the
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		cost or expected costs of hedging the Issuer's obligations under the Notes (if any). Accordingly, there is a risk that, upon issue the price of Notes in the secondary market would be lower than the original Issue Price of the Notes. [Specific risks relating to Floating Rate Notes: The rate of interest is not fixed and is tied to the performance of an underlying benchmark [subject to a [Maximum Interest Rate] [and] [Minimum Interest Rate]]. The rate of interest can periodically go down and therefore return on the Notes is not guaranteed and may in a worst case scenario become zero. [Investors should be aware that in respect of Floating Rate Notes which are subject to a Maximum Interest Rate return on the Notes is limited to such Maximum Interest Rate and therefore investors will not benefit from any further increases of the underlying benchmark above such Maximum Interest Rate.]] [Specific risk relating to Fixed Rate Notes: The rate of interest is fixed during the term of the Notes. Therefore, investors in Fixed Rate Notes will not benefit from any increases in market interest rates.] [Effect of economic conditions: The value of Notes are influenced by economic and market conditions, interest rates, currency exchange rates and inflation rates as such conditions may cause market volatility and this could have an adverse affect on the value, price or income on the Notes.]
		Section E – Offer
E.2b	Reasons for the offer and use of proceeds:	[The net proceeds from each issue of Notes will be used by the Issuer for [profit making or risk hedging] [] purposes.] [Not Applicable. The Notes have a denomination of more than EUR100,000 (or its equivalent in any other currency) per Note.]
E.3	Terms and conditions of the offer:	[An investor intending to acquire or acquiring Notes from an offeror authorised by the Issuer, will do so, and the offer and sale of Notes to an investor by such Authorised Offeror will be made, in accordance with arrangements agreed between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements. Offer Price: [Issue Price] [] Total amount of the issue/offer; if the [] [Not Applicable] amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer: The time period, including any possible [] [Not Applicable] amendments, during which the offer will be open: Conditions to which the offer is subject: [] [Not Applicable] Description of the application process: [] [Not Applicable] Description of possibility to reduce [] [Not Applicable] subscriptions and manner for refunding excess amount paid by applicants: Details of the minimum and/or [] [Not Applicable] maximum amount of application: Details of the method and time limits for [] [Not Applicable] paying up the securities and delivering of the securities: Manner in and date on which results of [] [Not Applicable] the offer are to be made public:

		Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: ☐ [Not Applicable] Whether tranche(s) have been reserved for certain countries: ☐ [Not Applicable] Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: ☐ [Not Applicable] Amount of any expenses and taxes specifically charged to the subscriber or purchaser: ☐ [Not Applicable] Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: ☐ [Not Applicable] Name and address of any paying agents and depositary agents in each country: ☐ [Not Applicable] Name and address if the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: ☐ [Not Applicable] [Not Applicable. The Notes will not be publicly offered.] [Not Applicable. The Notes have a denomination of more than EUR100,000 (or its equivalent in any other currency) per Note.]
E.4	Interests material to the issue/offer including conflicts of interest:	[Fees [are] [may be] payable by the Issuer to the Dealer[s] acting as underwriter(s) of issues of the Notes.] [[Save as disclosed above, no] [No] person involved in the offer of the Notes has an interest material to the offer.] [The following additional interest(s) are material to issues of the Notes: [].]]
E.7	Estimated expenses charged to the investor by the issuer or the offeror:	[Not Applicable. [Expenses in respect of the Notes are not charged directly by the Issuer to the investor.] [No commission in respect of the offer of the Notes will be payable by the investor.]] [The expenses charged to the investor by the Issuer will consist of [] per cent. commission in respect of the offer of the Notes, which will be [included in the Issue Price of the Notes] [payable by the investor].]

ANNEX 3

PREFERENCE SHARE-LINKED BASE PROSPECTUS

SUMMARY

This section provides an overview of information included in this Base Prospectus. It includes blank placeholders for options provided for under the Programme which will only be known at the time of each issuance of Notes. A completed summary for each individual issuance of Notes will be annexed to the relevant Final Terms.

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

		Section A – Introduction and Warnings
A.1	Introduction:	This summary must be read as an introduction to this prospectus and any decision to invest in the Notes should be based on a consideration of this prospectus as a whole by the investor, including any information incorporated by reference. Where a claim relating to the information contained in this prospectus is brought before a court in a Member State of the European Economic Area, the claimant might, under the national legislation of the Member States, be required to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent by the issuer for the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries, an indication of the offer period for which consent is given, and any other clear and objective conditions attached to such consent:	[The Issuer expressly consents to the use of this prospectus in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public Offer") of the Notes by the Dealer[s] [and []] ("Authorised Offeror") during the period from and including [] to but excluding [] (the "Offer Period") and in the United Kingdom only (the "Public Offer Jurisdiction") [provided that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws [and the relevant Authorised Offeror must satisfy the following conditions: []]. The Issuer also accepts responsibility for the content of this prospectus with respect to the subsequent resale or final placement of the Notes by the Authorised Offeror.] [The Issuer reserves its right to consent to the use of this prospectus after the date of filing of the relevant final terms (the "Final Terms") in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public Offer") of the Notes during the period from and including [] to but excluding [] (the "Offer Period") and in the United Kingdom only (the "Public Offer Jurisdiction") by identifying financial intermediaries who will be acting as authorised offerors ("Authorised Offeror") in respect of the Notes on its website www.hsbc.com (following links to 'Investor relations', 'Fixed income securities', 'Issuance programmes), [subject to the condition that [] and] on the condition that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws.] [The Authorised Offeror will provide information to investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the investors.] [Not Applicable. The Issuer does not consent to the use of this prospectus in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "Public

		Offer") as the Notes will not be publicly offered.]
		Section B – Issuer
B.1	Legal and commercial name of the issuer:	The legal name of the issuer is HSBC Bank plc (the " Issuer ") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.
B.2	Domicile and legal form of the issuer:	The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public limited company. The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, <i>inter alia</i>, the UK Financial Services and Markets Act 2000, as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.
B.4b	Trends:	Signs of stabilisation in the eurozone are emerging but the political and economic challenges remain considerable. In the eurozone periphery growth is still absent, unemployment rates are high and debt projections continue to be revised up. Economic activity is expected to remain subdued. The Issuer expects a contraction of GDP of 0.6 per cent in the eurozone in 2013. In the first half of 2013 the UK economic data has improved. However, the recovery remains fragile as inflation continues to outpace wage growth meaning real-terms pay is falling, restraining consumer demand. The Issuer expects the UK to grow by 0.8 per cent in 2013 which, while weak, is an improvement over 2012.
B.5	The group:	The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("HSBC Holdings", together with its subsidiaries, the "HSBC Group"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe. The HSBC Group is one of the largest banking and financial services organisations in the world. Its international network covers 80 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America; and Latin America. Its total assets as at 30 June 2013 were U.S.\$2,645 billion.
B.9	Profit forecast:	Not Applicable. There are no profit forecasts or estimates made in this prospectus.
B.10	Audit report qualifications:	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer and its subsidiary undertakings for the financial years ended 31 December 2011 or 2012.
B.12	Key financial information:	The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 and the unaudited consolidated interim report of the Issuer for the six months ended 30 June 2013.

		Year Ended		Half-year to
		31 December 2011	31 December 2012	30 June 2013
For the period (£m)				
Profit on ordinary activities before tax		3,111	1,004	2,273
Total operating income		16,205	15,407	8,377
Net operating income before loan impairment charges and other credit risk provisions		14,023	12,488	6,925
Profit attributable to shareholders of the parent company		2,329	2,384	1,681
At period end (£m)				
Total equity attributable to shareholders of the parent company		31,090	31,675	31,911
Risk weighted assets		227,679	193,402	200,368
Loans and advances to customers (net of impairment allowances)		288,014	282,685	282,498
Customer accounts		346,129	324,886	355,373
Ratio of customer advances to customer accounts		83.2	87.0	79.5
Capital ratios*				
Core Tier 1 ratio		9.1	11.4	11.1
Tier 1 ratio		10.0	12.4	12.0
Total capital ratio		14.4	17.3	16.9
Performance and efficiency ratios (annualised %)				
Return on average shareholders' funds (equity) of the parent company		7.4	3.5	10.6
Cost efficiency ratio		66.2	82.0	59.2
* Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.				
		There has been no material adverse change in the prospects of the Issuer since 31 December 2012.		
		There has been no significant change in the financial or trading position of the Issuer since 30 June 2013.		
B.13	Recent events:	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.		
B.14	Dependence upon other entities within the group:	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group (the "Group"). The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.		
B.15	The issuer's principal activities:	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: UK Retail Banking; Continental Europe Retail Banking; Global Banking and Markets; and Global Private Banking.		
B.16	Controlling persons:	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.		
B.17	Credit ratings:	The Issuer has been assigned the following long term credit ratings: AA- by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"); Aa3 by Moody's Investors Service Limited ("Moody's"); and AA- by Fitch Ratings Limited ("Fitch"). The Notes to be issued [have [not] been] [are expected on issue to be] rated[./:] [Standard & Poor's: []] [Moody's: []] [Fitch: []]		

Section C – Securities		
C.1	Description of type and class of securities:	Issuance in series: Notes will be issued in series ("Series") which may comprise one or more tranches ("Tranches"). Each Tranche issued under a Series will have identical terms, except that different Tranches may comprise Notes in bearer form ("Bearer Notes"), registered form ("Registered Notes") or uncertificated registered form ("Uncertificated Registered Notes"). The issue dates and issue prices of different Tranches may also vary. The [Bearer] [Registered] [Uncertificated Registered] Notes being issued are Tranche [] Notes (the "Notes") [and are to be consolidated and form a single series with [] issued on [] with ISIN: [] and Common Code: [] [and SEDOL: []] (the "Original Issue Security Identification Number[s]")]. Form of Notes: [<i>Bearer Notes in definitive form:</i> Bearer Notes will be issued in definitive form and each definitive Bearer Note will carry a unique serial number. Bearer Notes are negotiable instruments and legal title to each will pass by physical delivery.] [<i>Bearer Notes in global form:</i> [Bearer Notes will initially be issued as temporary global Notes exchangeable for permanent global Notes which are exchangeable for definitive Bearer Notes, or registered Notes in definitive form in certain limited circumstances.] [Bearer Notes will be issued in global note form and deposited with a common depositary for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Bearer Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream, Luxembourg.] [<i>Registered Notes in definitive form:</i> [Registered Notes will be issued in registered form as certificates and each certificate will carry a unique serial number. Registered Notes are not negotiable instruments and legal title to each will pass by registration of the unique serial number against a Noteholder's name in a register maintained by HSBC Bank plc in its capacity as registrar (the "Registrar").] [<i>Registered Notes in global form:</i> Registered Notes will be issued in global note form and deposited with and registered in the name of a common depositary (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Registered Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream, Luxembourg.] [<i>Uncertificated Registered Notes:</i> Uncertificated Registered Notes will be issued in uncertificated registered form and deposited with CREST Co. Ltd ("CREST"). Legal title to Uncertificated Registered Notes is recorded by CREST on the Operator register of corporate securities (the "Operator Register") and will pass by registration of a transfer of ownership in the Operator Register. CREST will maintain in a record of uncertificated corporate securities which reflects the Operator Register.] Security Identification Number[s]: The [Bearer] [Registered] [Uncertificated Registered] Notes have been accepted for clearance through [Euroclear and/or Clearstream, Luxembourg] [CREST] and will be allocated the following Security Identification Number[s] [to be consolidated with the Original Issue Security Identification Number[s]]: ISIN Code: []

		Common Code: [] [SEDOL: []]
C.2	Currency of the securities issue:	The settlement currency of the Notes is [] (the " Settlement Currency ").
C.5	Free transferability:	The Notes are freely transferable. However, there are restrictions on the offer and sale of the Notes and the Issuer and [] (the " Dealer[s] ") have agreed restrictions on the offer, sale and delivery of the Notes and on distribution of offering materials in the European Economic Area, the United Kingdom and the United States of America.
C.8	The rights attaching to the securities, including ranking and limitations to those rights:	Status of the Notes: The Notes issued will be direct, unsecured and unsubordinated obligations of the Issuer and will rank equally and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (unless preferred by law). Interest Payments: The Notes will not be interest-bearing. Redemption of the Notes at Maturity: The Notes will be redeemed on their maturity date. Early redemption of the Notes: In addition the Notes may be redeemed prior to their started maturity in the following circumstances: <i>For illegality:</i> at the option of the Issuer if the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason. <i>For taxation reasons:</i> at the option of the Issuer if the Issuer were required under the terms and conditions of the Notes (the "Conditions") to pay additional amounts in respect of tax. <i>For a Preference Share Early Redemption Event:</i> following the receipt by the Issuer or any of its affiliates of a notice from Eukairos Investments Limited (the "Preference Share Issuer") that one or more series of preference shares issued by the Preference Share Issuer (the "Preference Shares") are to be redeemed early. <i>For an Extraordinary Event and/or Additional Disruption Event:</i> at the option of the Issuer if the Calculation Agent determines that a merger event, tender offer or insolvency (each, an "Extraordinary Event") and/or change in law or insolvency filing (each, an "Additional Disruption Event") has occurred in relation to the Preference Shares and/or the Preference Share Issuer. <i>For an Event of Default:</i> at the option of the Noteholder in the following circumstances: (i) a continuing default in the repayment of any amount due on the Notes for more than 14 days, provided that the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to HSBC Bank plc, acting in its capacity as principal paying agent (the "Principal Paying Agent"); or (ii) the passing of a winding-up order in relation to the Issuer. Payments of Principal: Payments of principal in respect of Notes will in all cases be calculated by reference to the percentage change in value of one or more Preference Shares issued by the Preference Share Issuer in respect of the relevant series of Notes. The terms of each series of Preference Shares will be contained in the Articles of Eukairos Investments Limited and the Preference Share terms and conditions relating to such series, which will be annexed to the Final Terms. The redemption price of each class of Preference Shares will be calculated by reference to an index or a

		basket of indices (the "Underlying"). The Underlying for the Notes is [an index/a basket of indices]. Modification and substitution: Modifications to the Conditions may be made without the consent of any Noteholders to cure any ambiguity or manifest error or correct or supplement any Conditions provided that: (i) the modification is not materially prejudicial to the interest of Noteholders; (ii) the modification is of a formal, minor or technical nature or to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or (iii) the modification corrects inconsistency between the Final Terms and the relevant termsheet relating to the Notes. The Notes permit the substitution of the Issuer with its affiliates without the consent of any Noteholders where the Issuer provides an irrevocable guarantee of the affiliate's obligations. Meetings of Noteholders The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. No guarantee or security: The Notes are the obligations of the Issuer only and are unsecured. Taxation: All payments by the Issuer of any amount in respect of the Notes will be made without deduction of any United Kingdom taxes unless the Issuer is required by law to withhold or deduct any such taxes. Therefore, Noteholders will be liable for and/or subject to any taxes, including withholding tax, stamp duty, stamp duty reserve tax and/or similar transfer taxes, payable in respect of the Notes. Governing Law: English law.
C.9	The rights attaching to the securities, the nominal interest rate, the date from which interest becomes payable and due dates for interest, where the rate is not fixed a description of the underlying on which it is based, maturity date and arrangements for amortisation of the loan including repayment procedures, an indication of	The Notes will be issued on [] (the "Issue Date") at [] per cent. of their aggregate principal amount (the "Issue Price"). The Notes will not be interest-bearing. Representative of the Noteholders: Not Applicable. There is no representative appointed to act on behalf of the Noteholders.

	yield and the name of the representative of debt security holders:					
C.10	Derivative components in interest payment:	Not Applicable. The Notes will not be interest-bearing.				
C.11	Listing and trading:	[Application [has been] [will be] made to admit the Notes to the Official List of the United Kingdom Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.] [Not Applicable. The Notes will not be admitted to trading on any regulated market.]				
C.15	Effect of value of underlying instruments on the value of the investment:	The performance of an Underlying determines the redemption price and final value of a series of Preference Shares issued by Eukairos Investments Limited, a company incorporated in England which is independent of the Issuer and whose business consists of the issuance of Preference Shares. The percentage change in the final value of the relevant Preference Share compared to its issue price is then used to calculate the value and return on the Notes. As a result, the potential effect of the value of the Underlying on the return on the Notes means that investors may lose some or all of their investment. For the avoidance of doubt, the Notes are not backed by or secured on the Preference Shares and, accordingly, only a nominal amount of the Preference Shares may be issued by Eukairos Investments Limited regardless of the principal amount of the Notes issued by the Issuer. In this section, for ease of explanation rather than refer to the Notes being linked to the value of the Preference Share which is in turn linked to the Underlying, the Notes (including the return on the Notes) are described as being linked to the Underlying. The redemption amount of the Notes is linked to the performance of the [] ["Index"] [a basket of indices ("Indices") specified below: <table><tr><th>Index</th></tr><tr><td></td></tr><tr><td></td></tr><tr><td></td></tr></table> An investor will be entitled to the following cash amounts in respect of each Note, namely: • if the Notes are redeemed on their stated maturity date, a "Final Redemption Amount"; and [• as the Notes are "Autocallable Redemption Notes", if the Notes are redeemed prior to their stated maturity in the circumstances described below, an "Early Redemption Amount".] The basis for calculating the Final Redemption Amount is: ["Booster Redemption Notes". Accordingly, an investor is entitled to an amount per Note equal to the principal amount of the Note multiplied by the following: If [Index Performance] [Worst Performing Index Performance] is equal to or greater than the Barrier Level, then:	Index			
Index						

		$[100\% + \text{MIN} [\text{Cap; Participation} \times \text{MAX} [0, \text{Index Performance} - 100\%]]] [100\% + \text{MIN} [\text{Cap; Participation} \times \text{MAX} [0, \text{Worst Performing Index Performance} - 100\%]]]$ If [Index Performance] [Worst Performing Index Performance] is less than the Barrier Level, $[\text{Index Performance}]/[\text{Worst Performing Index Performance}]$. ["Airbag Redemption Notes". Accordingly, an investor is entitled to an amount per Note equal to the principal amount of the Note multiplied by the following: If [Index Performance] [Worst Performing Index Performance] is equal to or greater than the Barrier Level, then: $[100\% + \text{Participation} \times \text{MAX} [0, (\text{Index Performance} - 100\%)]]$ $[100\% + \text{Participation} \times \text{MAX} [0, (\text{Worst Performing Index Performance} - 100\%)]]$ If [Index Performance] [Worst Performing Index Performance] is less than the Barrier Level, $[\text{Index Performance}]/[\text{Worst Performing Index Performance}]$. ["Bonus Redemption Notes". Accordingly, an investor is entitled to an amount per Note equal to the principal amount of the Note multiplied by the following: If [Index Performance] [Worst Performing Index Performance] is equal to or greater than the Barrier Level, then: 100% + Bonus Amount If [Index Performance] [Worst Performing Index Performance] is less than the Barrier Level, $[\text{Index Performance}]/[\text{Worst Performing Index Performance}] + \text{Bonus Amount}$. The Bonus Amount is determined by the Calculation Agent as the sum of each of the Bonus Amount Percentages. Each Bonus Amount Percentage which will be determined in accordance with the following provisions. If on an observation date the [Index Performance] [Worst Performing Index Performance] in respect of such observation date is equal to or greater than the Bonus Level, []%. If on an observation date the [Index Performance] [Worst Performing Index Performance] in respect of such observation date is less than the Bonus Level, 0%.] ["Autocallable Redemption Notes". Accordingly, an investor is entitled to an amount per Note equal to the principal amount of the Note multiplied by the following: If [Index Performance] [Worst Performing Index Performance] is equal to or greater than the Final Trigger Level, then []% If [Index Performance] [Worst Performing Index Performance] is less than the Final Trigger Level, and • [Final Index Level] [Final Index Level of each of the Indices] is equal to or greater than the Barrier Level, then 100% • [Final Index Level] [Final Index Level of each of the Indices] is less than the Barrier Level, then $[\text{Index Performance}]/[\text{Worst Performing Index Performance}]$ For the purposes of the above: ["Barrier Level" means []%, being the percentage against which the performance of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices] will be measured in order to determine the Final Redemption Amount.] ["Bonus Amount" means the sum of the Bonus Amount Percentages, being a fixed percentage increase in the principal amount of the Note which expresses an enhanced return following an appreciation of
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	the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices].] ["Bonus Level" means []%, being the percentage against which the performance of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices] will be measured in order to determine the Bonus Amount.] ["Bonus Amount Percentage" means either 0% or []% depending on appreciation or depreciation of the level of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices].] ["Cap" means []%, being a percentage that expresses the maximum appreciation of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices] that will be considered when determining the Final Redemption Amount.] ["Final Trigger Level" means []%, being a percentage against which the performance of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices] will be measured in order to determine the Final Redemption Amount] ["Participation" means []%, being a percentage that expresses the increase in the principal amount of a Note if there is an appreciation of the [Index] [Index which is the worst performing of the Indices comprised in a basket of Indices].] ["Index Performance" means in respect of an Index [the percentage appreciation or depreciation of level of such Index compared to the initial index level for such Index which is specified in the relevant Final Terms] [the percentage average appreciation or depreciation in the level of such Index as determined by reference to a fixed number of observation dates (as specified in the relevant Final Terms) compared to the initial index level for such Index which is specified in the relevant Final Terms].] ["Worst Performing Index Performance" means the lowest Index Performance determined in accordance with the definition of "Index Performance" above.] ["Initial Index Level" means in respect of an Index the initial level of such Index as specified in the relevant Final Terms.] ["Final Index Level" means in respect of an Index [the final level of such Index on the valuation date] [the arithmetic average of the levels of such Index determined on a fixed number of observation dates].] [In addition, as the Notes are Autocallable Redemption Notes, they may be redeemed in the following circumstances and investors would then receive an Early Redemption Amount calculated as follows: If on an Auto-Call Valuation Date, the [Index Performance] [Worst Performing Index Performance] is equal to or greater than the Auto-Call Trigger Level specified below, then the investor would be entitled to a cash amount equal to the principal amount of the Note multiplied by the Auto-Call Trigger Rate, specified below. For these purposes: "Auto-Call Trigger Level" means each of the percentages set out below which will trigger redemption of the Notes and entitles investors in the Notes to the Early Redemption Amount; and "Auto-Call Trigger Rate" means each of the percentages set out below, being in each case a fixed percentage of the principal amount of a Note which an investor will receive in the event of an Early Redemption for Autocallable Redemption Notes. <table><tr><th>Auto-Call Valuation Date*</th><th>Auto-Call Trigger Level</th><th>Auto-Call Trigger Rate</th></tr><tr><td>[•]</td><td>[•]</td><td>[•]</td></tr><tr><td>[•]</td><td>[•]</td><td>[•]</td></tr><tr><td>[•]</td><td>[•]</td><td>[•]</td></tr></table>	Auto-Call Valuation Date*	Auto-Call Trigger Level	Auto-Call Trigger Rate	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Auto-Call Valuation Date*	Auto-Call Trigger Level	Auto-Call Trigger Rate											
[•]	[•]	[•]											
[•]	[•]	[•]											
[•]	[•]	[•]											

		[*Provided that if the Auto-Call Valuation Date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day shall be the Auto-Call Valuation Date.]
C.16	Maturity date of derivative securities:	The maturity date of the Notes is [] (the " Maturity Date ").
C.17	Settlement procedure:	All payments to Noteholders will be paid through [Euroclear] [and/or] [Clearstream, Luxembourg] [CREST].
C.18	Return on securities:	The Notes do not bear interest. The Notes entitle holders to cash payments and do not entitle an investor to physical delivery of Preference Shares. Unless redeemed early, the Notes will be automatically redeemed on the Maturity Date, at which time the investor will be entitled to receive the Final Redemption Amount (if any).
C.19	Exercise price or final reference price of the underlying:	The performance of an underlying index or the worst performing index in a basket of indices determines the redemption price of a series of Preference Shares. Such redemption price is used to calculate the final value of such Preference Shares. The percentage change in the final value of the Preference Shares compared to its issue price is then used to calculate the return on the Notes. As a result, the potential effect of the value of the Index or Indices on the return on the Notes means that investors may lose some or all of their investment. The calculations which are required to be made to calculate the Final Redemption Amount and any early redemption amount, will be based on the level of the Index or the level of the worst performing of the Indices comprised in a basket of Indices (the "Index Level") determined by the Calculation Agent being [HSBC Bank plc] [HSBC France]. The Calculation Agent will determine the Index Level by reference to the level of the relevant Index quoted on a particular exchange or quotation system at a valuation time.
C.20	Type of the underlying:	[The underlying for the Notes is [one index, namely []] [a basket of indices, comprised of] []]. [Information on the [Index] [Indices] can be found at []]. In this section, for ease of explanation rather than refer to the Notes being linked to the value of the Preference Share which is in turn linked to the [Index] [Indices]. Notes (including the return on the Notes) are described as being linked to the [Index] [Indices].
		Section D – Risks
D.2	Key risks specific to the issuer:	<i>The Issuer has exposure to the ongoing economic crisis in the eurozone:</i> There is potential for contagion from the continued instability in the eurozone from the peripheral to the core eurozone countries, and beyond to trading partners. The Issuer is exposed to institutions and banks which may be affected by sovereign or currency crises. <i>The Issuer has significant exposure to counterparty risk both within the financial sector and to other risk concentrations:</i> Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect its funding and its ability to manage the risks of its business. <i>Liquidity, or ready access to funds, is essential to the Issuer's business:</i> If the Issuer is unable to raise funds, its liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals or obligations under committed financing facilities, to fund new investments or to repay borrowings as they mature. <i>The Issuer's operations are highly dependent on its information technology systems:</i> The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service or a material breach of security could cause long-term damage to the Issuer's business and brand.

		<i>The Issuer faces a number of challenges in regulation and supervision and associated regulatory risks:</i> The proposals relating to Basel III, the draft legislation proposed by the UK Independent Commission on Banking ("ICB"), the recommendations of the Liikanen Group and the Capital Requirements Directive IV are likely to have an effect on the activities of the Group. The proposals and finalised legislation relating to capital and liquidity will result in increased capital and liquidity requirements and could have a material effect on the Group's future financial condition or results of its operations. The ICB proposals may affect the manner in which the Group conducts its activities and structures itself, with the potential to both increase the costs of doing business and curtail the types of business carried out, with the risk of decreased profitability as a result. In addition, the new regulatory structure within the UK comprising the Financial Policy Committee ("FPC"), the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") may affect the Bank, and the Group and its activities, in particular as the FPC has the ability to seek additional capital for lending to sectors perceived as higher risk. The FCA has continued to increase its focus on 'conduct risk' including attention to sales processes and incentives, product and investment suitability and conduct of business concerns more generally. In conjunction with this focus, the UK regulators are making increasing use of existing and new powers of intervention and enforcement. This may lead to significant costs and liabilities for the Issuer. <i>Regulatory investigations:</i> HSBC Holdings has entered into agreements with U.S. and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Failure to comply with the terms of such agreements may have an adverse effect on the Group. In addition, the Group continues to be subject to a number of other regulatory proceedings into certain past submissions made by panel banks in connection with the setting of London interbank offered rates and other benchmark interest and foreign exchange rates and in relation to alleged anti-competitive activity in the credit derivative market. <i>Remediation:</i> The Group has established customer redress programmes in relation to the possible mis-selling of Payment Protection Insurance policies and interest rate products sold to small businesses. There remains a high degree of uncertainty as to the eventual costs of redress for these matters.
D.3	Key risks specific to the securities:	<i>Credit risk:</i> The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario, investors in the Notes could lose all of their invested amounts. In addition, the Notes are also subject to the credit risk of the Preference Share Issuer. If the Preference Share Issuer becomes insolvent there could be a risk that the Preference Shares are redeemed worthless and therefore the value of the Notes would become zero as well. In such worst case scenario investors would lose all of their invested amount. <i>The Notes are unsecured obligations:</i> The Notes are not secured over any asset. Therefore, the investor would not be able to enforce security as a method of recouping payments due under the Notes if the Issuer were to become insolvent and cease to be able to pay such amounts. <i>The Notes are not ordinary debt securities:</i> The Notes do not pay interest, and, upon redemption, either the Notes may return less than the amount invested or nothing. <i>No ownership rights:</i> The Notes do not confer any legal or beneficial interest or any voting or dividend rights in the Preference Shares or the securities underlying the Index or Indices. <i>There may be no active trading market or secondary market for liquidity for Notes:</i> Any Series of Notes may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Notes until maturity of such Notes or may not realise a return that equals or exceeds the purchase price of their Notes. <i>Illegality or changes in tax law may cause the Issuer's obligations under the Notes to be redeemed early:</i> If the Calculation Agent determines the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable, or if the Issuer determines that it has become liable for, or payments under the Notes have become subject to, any taxes, the Issuer may redeem the Notes and pay a sum determined by reference to the value of the Preference Shares at the time of such redemption. As a result, Noteholders will forgo any future appreciation in the underlying Index or

		Indices and may suffer a loss of some or all of their investments. Taxation: All payments under the Notes will be made without deduction of United Kingdom taxes unless otherwise required. Investors should therefore be aware that they may be subject to taxes in respect of transactions involving Notes depending, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Capital risks relating to Notes: The Notes are not principal protected and accordingly the repayment of any amount invested in Notes and any return on investment is not guaranteed. As a result the investors' capital can fall below the amount initially invested. Unlike a savings account or similar investment, an investment in the Notes is not covered by the UK Financial Services Compensation Scheme. Certain factors affecting the value and trading price of Notes: Amounts payable under the Notes may be affected by fluctuation in value of the Index or securities underlying an Index, changes in interest rates, time remaining to redemption and dividend rates on the securities underlying an Index. Conflicts of Interest may arise between the Issuer or its affiliates and the Noteholders: The Issuer or its affiliates may enter into hedging or other transactions (i) relating an Index or to securities underlying an Index or (ii) with issuers of securities underlying an Index. The Issuer or its affiliates may also publish research or other reports relating to Indices or securities underlying an Index. Any such activities may have a positive or negative effect on the value of Notes relating to such Indices. In addition, the Issuer may assume roles as hedging counterparty or calculation agent under the Notes. In respect of any of these roles the Issuer may have interests that conflict with the interests of Noteholders. Furthermore, HSBC Bank plc or HSBC France is the calculation agent in respect of Notes and also acts as calculation agent in respect of the Preference Shares. As a result of this relationship, potential conflicts of interest may arise for HSBC Bank plc and HSBC France in acting in their respective capacities. HSBC France or HSBC Bank plc may contract with the Preference Share Issuer and/or enter into transactions, including hedging transactions, which relate to the Preference Share Issuer or the Preference Shares. In respect of any of these roles HSBC Bank plc and HSBC France may have interests that conflict with the interests of Noteholders. Calculation Agent's discretion and valuations: Calculation of amounts payable in respect of redemption of the Notes may be made by reference to levels published on exchanges or other quotation systems and, in the absence of such display, at an amount determined by the Calculation Agent at its sole and absolute discretion acting in good faith. The Calculation Agent may be permitted to use its proprietary models to set the terms of adjustments which may be made under the Notes which may be difficult to verify without expertise in valuation models. [Commission and cost of hedging: The Issue Price of the Notes may include the distribution commission or fee charged by Issuer and/or its affiliates and the cost or expected costs of hedging the Issuer's obligations under the Notes (if any). Accordingly, there is a risk that, upon issue the price of Notes in the secondary market would be lower than the original Issue Price of the Notes.] Exchange rate risks: The Issuer will pay amounts in respect of the Notes in the Settlement Currency. Where the Settlement Currency is not the same as the investor's preferred currency, the realisable value of the investment in the investor's preferred currency may be at risk from fluctuations in the exchange rate. Market Disruption Events and Additional Disruption Events: In the case of early closure of the relevant exchange, disruption of such exchange or suspension of trading on such exchange ("Market Disruption Events") or a hedging disruption, a change in applicable laws, an increased cost of hedging ("Additional Disruption Events") or in case of an index cancellation or modification or disruption in the publication of the index (each, an "Index Adjustment Event"), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or redemption of the Notes in case of an Additional Disruption Event or Index Adjustment Event in respect of such Notes may have an adverse effect on the value of such Notes.
D.6	Key risks specific to the	Credit risk: The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the

securities and risk warning to investors:	Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario, investors in the Notes could lose all of their invested amounts. In addition, the Notes are also subject to the credit risk of the Preference Share Issuer. If the Preference Share Issuer becomes insolvent there could be a risk that the Preference Shares are redeemed worthless and therefore the value of the Notes would become zero as well. In such worst case scenario investors would lose all of their invested amount. <i>The Notes are unsecured obligations:</i> The Notes are not secured over any asset. Therefore, the investor would not be able to enforce security as a method of recouping payments due under the Notes if the Issuer were to become insolvent and cease to be able to pay such amounts. <i>The Notes are not ordinary debt securities:</i> The Notes do not pay interest, and, upon redemption, either the Notes may return less than the amount invested or nothing. <i>No ownership rights:</i> The Notes do not confer any legal or beneficial interest or any voting or dividend rights in the Preference Shares or the securities underlying the Index or Indices. <i>There may be no active trading market or secondary market for liquidity for Notes:</i> Any Series of Notes may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Notes until maturity of such Notes or may not realise a return that equals or exceeds the purchase price of their Notes. <i>Illegality or changes in tax law may cause the Issuer's obligations under the Notes to be redeemed early:</i> If the Calculation Agent determines the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable, or if the Issuer determines that it has become liable for, or payments under the Notes have become subject to, any taxes, the Issuer may redeem the Notes and pay a sum determined by reference to the value of the Preference Shares at the time of such redemption. As a result, Noteholders will forgo any future appreciation in the underlying Index or Indices and may suffer a loss of some or all of their investments. <i>Taxation:</i> All payments under the Notes will be made without deduction of United Kingdom taxes unless otherwise required. Investors should therefore be aware that they may be subject to taxes in respect of transactions involving Notes depending, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. <i>Capital risks relating to Notes:</i> The Notes are not principal protected and accordingly the repayment of any amount invested in Notes and any return on investment is not guaranteed. As a result the investors' capital can fall below the amount initially invested. Unlike a savings account or similar investment, an investment in the Notes is not covered by the UK Financial Services Compensation Scheme. <i>Certain factors affecting the value and trading price of Notes:</i> Amounts payable under the Notes may be affected by fluctuation in value of the Index or securities underlying an Index, changes in interest rates, time remaining to redemption and dividend rates on the securities underlying an Index. <i>Conflicts of Interest may arise between the Issuer or its affiliates and the Noteholders:</i> The Issuer or its affiliates may enter into hedging or other transactions (i) relating an Index or to securities underlying an Index or (ii) with issuers of securities underlying an Index. The Issuer or its affiliates may also publish research or other reports relating to Indices or securities underlying an Index. Any such activities may have a positive or negative effect on the value of Notes relating to such Indices. In addition, the Issuer may assume roles as hedging counterparty or calculation agent under the Notes. In respect of any of these roles the Issuer may have interests that conflict with the interests of Noteholders. Furthermore, HSBC Bank plc or HSBC France is the calculation agent in respect of Notes and also acts as calculation agent in respect of the Preference Shares. As a result of this relationship, potential conflicts of interest may arise for HSBC Bank plc and HSBC France in acting in their respective capacities. HSBC France or HSBC Bank plc may contract with the Preference Share Issuer and/or enter into transactions, including hedging transactions, which relate to the Preference Share Issuer or the Preference Shares. In respect of any of these roles HSBC Bank plc and HSBC France may have
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		interests that conflict with the interests of Noteholders. Calculation Agent's discretion and valuations: Calculation of amounts payable in respect of redemption of the Notes may be made by reference to levels published on exchanges or other quotation systems and, in the absence of such display, at an amount determined by the Calculation Agent at its sole and absolute discretion acting in good faith. The Calculation Agent may be permitted to use its proprietary models to set the terms of adjustments which may be made under the Notes which may be difficult to verify without expertise in valuation models. [Commission and cost of hedging: The Issue Price of the Notes may include the distribution commission or fee charged by Issuer and/or its affiliates and the cost or expected costs of hedging the Issuer's obligations under the Notes (if any). Accordingly, there is a risk that, upon issue the price of Notes in the secondary market would be lower than the original Issue Price of the Notes.] Exchange rate risks: The Issuer will pay amounts in respect of the Notes in the Settlement Currency. Where the Settlement Currency is not the same as the investor's preferred currency, the realisable value of the investment in the investor's preferred currency may be at risk from fluctuations in the exchange rate. Market Disruption Events and Additional Disruption Events: In the case of early closure of the relevant exchange, disruption of such exchange or suspension of trading on such exchange ("Market Disruption Events") or a hedging disruption, a change in applicable laws, an increased cost of hedging ("Additional Disruption Events") or in case of an index cancellation or modification or disruption in the publication of the index (each, an "Index Adjustment Event"), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or redemption of the Notes in case of an Additional Disruption Event or Index Adjustment Event in respect of such Notes may have an adverse effect on the value of such Notes. Investors may lose the value of their entire investment or part of it, as the case may be.
		Section E – Offer
E.2b	Reasons for the offer and use of proceeds:	The net proceeds from each issue of Notes will be used by the Issuer for [profit making or risk hedging] [] purposes.
E.3	Terms and conditions of the offer:	[An investor intending to acquire or acquiring Notes from an offeror authorised by the Issuer, will do so, and the offer and sale of Notes to an investor by such Authorised Offeror will be made, in accordance with arrangements agreed between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements. Offer Price: [Issue Price] [] Total amount of the issue/offer; if the amount is not fixed, [] [Not Applicable] description of the arrangements and time for announcing to the public the definitive amount of the offer: The time period, including any possible amendments, [] [Not Applicable] during which the offer will be open: Conditions to which the offer is subject: [] [Not Applicable] Description of the application process: [] [Not Applicable] Description of possibility to reduce subscriptions and [] [Not Applicable] manner for refunding excess amount paid by applicants: Details of the minimum and/or maximum amount of [] [Not Applicable] application: Details of the method and time limits for paying up the [] [Not Applicable]

		securities and delivering of the securities: Manner in and date on which results of the offer are to be made public: ☐ [Not Applicable] Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: ☐ [Not Applicable] Whether tranche(s) have been reserved for certain countries: ☐ [Not Applicable] Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: ☐ [Not Applicable] Amount of any expenses and taxes specifically charged to the subscriber or purchaser: ☐ [Not Applicable] Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: ☐ [Not Applicable] Name and address of any paying agents and depositary agents in each country: ☐ [Not Applicable] Name and address if the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: ☐ [Not Applicable] [Not Applicable. The Notes will not be publicly offered.]
E.4	Interests material to the issue/offer including conflicts of interest:	The Issuer or its affiliates may engage in hedging or other transactions involving the relevant [Index] [Indices] which may have a positive or negative effect on the value of such [Indices] [Index] and therefore on the value of any Notes to which they relate. Certain affiliates of the Issuer may also be the counterparty to the hedge of the Issuer's obligations under an issue of Notes and the Calculation Agent is responsible for making determinations and calculations in connection with the Notes in its sole and absolute discretion acting in good faith. The Issuer or its affiliates may from time to time advise the issuer or obligors of, or publish research reports relating to, the [Indices] [Index]. The views or advice may have a positive or negative effect on the value of the [Indices] [Index] and may be inconsistent with purchasing or holding the Notes relating to the [Indices] [Index]. Furthermore, HSBC Bank plc or HSBC France is the calculation agent in respect of Notes and also acts as calculation agent in respect of the Preference Shares. As a result of this relationship, potential conflicts of interest may arise for HSBC Bank plc and HSBC France in acting in their respective capacities. [Fees [are] [may be] payable by the Issuer to the Dealer[s] acting as underwriter(s) of issues of the Notes.] [[Save as disclosed above no,] [No] person involved in the offer of the Notes has an interest material to the offer.] [The following additional interest(s) are material to issues of the Notes: [].]]
E.7	Estimated expenses charged to the investor by the issuer or the offeror:	[The expenses charged to the investor by the Issuer will consist of [] per cent. commission in respect of the offer of the Notes which will be [included in the Issue Price of the Notes] [payable by the investor].] [Not Applicable. [Expenses in respect of the Notes are not charged directly by the Issuer to the investor.] [No commission in respect of the offer of the Notes will be payable by the investor.]]

ANNEX 4

MARKET ACCESS BASE PROSPECTUS

SUMMARY

This section provides an overview of information included in this Base Prospectus. It includes blank placeholders for options provided for under the Programme which will only be known at the time of each issuance of Notes. A completed summary for each individual issuance of Notes will be annexed to the relevant Final Terms.

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

		Section A – Introduction and Warnings
A.1	Introduction:	This summary must be read as an introduction to this prospectus and any decision to invest in the Notes should be based on a consideration of this prospectus as a whole by the investor, including any information incorporated by reference. Where a claim relating to the information contained in this prospectus is brought before a court in a Member State of the European Economic Area, the claimant might, under the national legislation of the Member States, be required to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent by the issuer for the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries, an indication of the offer period for which consent is given, and any other clear and objective conditions attached to such consent:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Notes to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive and there will be no public offer of the Notes.
		Section B – Issuer
B.1	Legal and commercial name of the issuer:	The legal name of the issuer is HSBC Bank plc (the " Issuer ") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.
B.2	Domicile and legal form of the issuer:	The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public

		limited company. The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, <i>inter alia</i>, the UK Financial Services and Markets Act 2000, as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.
B.4b	Trends:	Signs of stabilisation in the eurozone are emerging but the political and economic challenges remain considerable. In the eurozone periphery growth is still absent, unemployment rates are high and debt projections continue to be revised up. Economic activity is expected to remain subdued. The Issuer expects a contraction of GDP of 0.6 per cent in the eurozone in 2013. In the first half of 2013 the UK economic data has improved. However, the recovery remains fragile as inflation continues to outpace wage growth meaning real-terms pay is falling, restraining consumer demand. The Issuer expects the UK to grow by 0.8 per cent in 2013 which, while weak, is an improvement over 2012.
B.5	The group:	The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("HSBC Holdings", together with its subsidiaries, the "HSBC Group"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe. The HSBC Group is one of the largest banking and financial services organisations in the world. Its international network covers 80 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America; and Latin America. Its total assets as at 30 June 2013 were U.S.\$2,645 billion.
B.9	Profit forecast:	Not Applicable. There are no profit forecasts or estimates made in this prospectus.
B.10	Audit report qualifications:	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer and its subsidiary undertakings for the financial years ended 31 December 2011 or 2012.
B.12	Key financial information:	The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 and the unaudited consolidated interim report of the Issuer for the six months ended 30 June 2013.

		Year Ended		Half-year to
		31 December 2011	31 December 2012	30 June 2013
For the period (£m)				
Profit on ordinary activities before tax		3,111	1,004	2,273
Total operating income		16,205	15,407	8,377
Net operating income before loan impairment charges and other credit risk provisions		14,023	12,488	6,925
Profit attributable to shareholders of the parent company		2,329	2,384	1,681
At period end (£m)				
Total equity attributable to shareholders of the parent company		31,090	31,675	31,911
Risk weighted assets		227,679	193,402	200,368
Loans and advances to customers (net of impairment allowances)		288,014	282,685	282,498
Customer accounts		346,129	324,886	355,373
Ratio of customer advances to customer accounts		83.2	87.0	79.5
Capital ratios*				
Core Tier 1 ratio		9.1	11.4	11.1
Tier 1 ratio		10.0	12.4	12.0
Total capital ratio		14.4	17.3	16.9
Performance and efficiency ratios (annualised %)				
Return on average shareholders' funds (equity) of the parent company		7.4	3.5	10.6
Cost efficiency ratio		66.2	82.0	59.2
* Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.				
		There has been no material adverse change in the prospects of the Issuer since 31 December 2012.		
		There has been no significant change in the financial or trading position of the Issuer since 30 June 2013.		
B.13	Recent events:	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.		
B.14	Dependence upon other entities within the group:	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group (the " Group "). The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.		
B.15	The issuer's principal activities:	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: UK Retail Banking; Continental Europe Retail Banking; Global Banking and Markets; and Global Private Banking.		
B.16	Controlling persons:	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.		
		Section C – Securities		
C.1	Description of type and class of securities:	Issuance in series: Notes will be issued in series (" Series ") which may comprise one or more tranches (" Tranches "). Each Tranche issued under a Series will have identical terms, except that different Tranches may comprise Notes in bearer form (" Bearer Notes ") or registered form (" Registered Notes "). The issue dates and issue prices under different Tranches may also vary. The [Bearer] [Registered] Notes being issued are Tranche [] Notes (the " Notes ") [and are to be consolidated and form a single series with [] issued on [] with ISIN: [] and Common Code: [] [and CUSIP: []] [and SEDOL: []] [(the " Original Issue Security Identification		

		Number[s]")]]). Form of Notes: <i>[Bearer Notes in definitive form:</i> Bearer Notes will be issued in definitive form and each definitive Bearer Note will carry a unique serial number. Bearer Notes are negotiable instruments and legal title to each will pass by physical delivery.] <i>[Bearer Notes in global form:</i> [Bearer Notes will initially be issued as temporary global Notes exchangeable for permanent global Notes which are exchangeable for definitive Bearer Notes, or registered Notes in definitive form in certain limited circumstances.] [Bearer Notes will be issued in global form and deposited with a common depositary for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Bearer Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream, Luxembourg.] <i>[Registered Notes in definitive form:</i> [Registered Notes will be issued in registered form as certificates and each certificate will carry a unique serial number. Registered Notes are not negotiable instruments and legal title to each will pass by registration of the unique serial number against a Noteholder's name in a register maintained by [HSBC Bank plc] [HSBC Bank USA, National Association] in its capacity as registrar (the "Registrar").] <i>[Registered Notes in global form:</i> Registered Notes will be issued in global form and [a Rule 144A global registered note will be deposited with a custodian for, and registered in the name of a nominee for, the Depositary Trust Company ("DTC") [a restricted global registered note will be [deposited with a custodian for, and registered in the name of a nominee for, the Depositary Trust Company ("DTC") [deposited with and registered in the name of a common depositary (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") [[an unrestricted global registered note] [a combined global registered note] will be deposited with and registered in the name of a common depositary (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg")].] Security Identification Number[s]: The [Bearer] [Registered] Notes have been accepted for clearance through [Euroclear and/or Clearstream, Luxembourg] [DTC] and will be allocated the following Security Identification Number[s] [to be consolidated with the Original Issue Security Identification Number[s]]: ISIN Code: [] Common Code: [] [CUSIP: []] [SEDOL: []]
C.2	Currency of the securities issue:	The settlement currency of the Notes is [] (the "Settlement Currency").

C.5	Free transferability:	The Notes are freely transferable. However, there are restrictions on the offer and sale of the Notes. The Issuer and [] (the "Dealer[s]") have agreed restrictions on the offer, sale and delivery of the Notes and on distribution of offering materials in Australia, the Dubai International Financial Centre, the European Economic Area, France, Hong Kong, India, Indonesia, Italy, Japan, the Kingdom of Bahrain, Korea, Malaysia, Mexico, New Zealand, Norway, the People's Republic of China, Philippines, Russia, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan, Thailand, The Netherlands, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom, the United States of America and Vietnam. In addition, investors of the Notes, by their purchase of the Notes, will be deemed to have given certain representations, warranties, undertakings, acknowledgements and agreements.
C.8	The rights attaching to the securities, including ranking and limitations to those rights:	Status of the Notes: The Notes will be direct, unsecured and unsubordinated obligations of the Issuer and will rank equally and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (unless preferred by law). Payments at maturity The Notes will have a final redemption amount which is equal to the greater of 0.03 per cent. of their principal amount and the value or level at maturity of the underlying to which the Notes are linked (the "Final Redemption Amount") which will be calculated in a different manner depending on whether the Notes are Underlying ETF-Linked Notes, Underlying Fund-Linked Notes, Underlying Index-Linked Notes or Underlying Security-Linked Notes. [The Notes are [Underlying ETF-Linked Notes] [Underlying Security-Linked Notes] and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the value at maturity of the underlying assets of each Note [(shares)] [(exchange-traded funds)] ("Realisable Sale Price Per Note"). The Realisable Sale Price per Note will be equal to: • if the Issuer or any of its affiliate(s) hold the underlying assets and dispose of them, the amount per Note received from such disposal, less any costs and converted into the currency of the Note (if applicable); • if the Issuer or any of its affiliate(s) do not hold the underlying assets but is party to a hedge or other arrangement relating to the Notes being redeemed, the effective price at which such hedge or other arrangement was realised or unwound, less any costs and converted into the currency of the Note (if applicable); or • if the Issuer nor any of its affiliate(s) do not hold the underlying assets nor are party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note a notional, direct holder of the underlying assets of the Notes would receive from disposing of them on maturity, less any costs and converted into the currency of the Note (if applicable).] [The Notes are Underlying Fund-Linked Notes and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the aggregate of the net redemption proceeds per share in the Underlying Fund a hypothetical investor in shares in the Underlying Fund would have received on the maturity date, converted into the currency of the Note (if applicable).] [The Notes are Underlying Index-Linked Notes and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the value at maturity of any hedge or of the securities underlying the Underlying Index or Indices of each Note ("Realisable Sale Price Per Note"). The Realisable Sale Price per Note will be equal to: • if the Issuer or its affiliate(s) is party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note received from realising or unwinding such hedge or other arrangement, less any costs and converted into the currency of the

		Note (if applicable); or - if the Issuer nor its affiliate(s) are not party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note a notional, direct holder of the underlying assets of the Notes would receive from disposing of them on maturity, less any costs and converted into the currency of the Note (if applicable).] If the actual or notional amounts received need to be converted into the currency of the Note, the rate of exchange used will be either: - if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or - if the Issuer or its affiliate(s) has not entered into an exchange transaction the rate of exchange which a notional, direct holder of the underlying assets of the Notes would be able to obtain. <i>Additional Payments</i> If the Notes are Underlying Security-Linked Notes or Underlying ETF-Linked Notes, then Noteholders will also potentially be entitled to Additional Payments. [The Notes are [Underlying ETF-Linked Notes] [Underlying Security-Linked Notes] and the Additional Payments payable to Noteholders will be: - if the Issuer or its affiliate(s) hold the appropriate underlying assets (that is, the shares or exchange-traded funds), the aggregate amount of the net cash dividend or distribution received; - if the Issuer or its affiliate(s) hold a hedge or other arrangement for the purposes of performing its obligations under the Notes, the net cash dividend or distribution equivalent payment received under the hedge or other arrangement; - if the Issuer or its affiliate(s) do not hold any the underlying assets nor are party to a hedge or other arrangement relating to the Notes, the net amount a notional, direct holder of the underlying assets of the Notes would receive by way of cash dividend or distribution; or - if a non-cash dividend or distribution is made, the net cash value of such non-cash dividend or distribution or, if the Issuer or its affiliate(s) holds a hedge or other arrangement relating to the Notes, the net cash adjustment or settlement received in respect of such non-cash dividend or distribution under such hedge or other arrangement, in all cases, less any costs and converted into the currency of the Note (if applicable). If the actual or notional amounts need to be converted into the currency of the Note, the rate of exchange used is either: - if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or - if the Issuer or its affiliate(s) has not entered into an exchange transaction, that which a notional, direct holder of the underlying assets of the Notes would be able to obtain.] [Additional Payments do not apply to [Underlying Index-Linked Notes] [Underlying Fund-Linked Notes].]
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	Interest Payments: The Notes do not bear interest. Early redemption for illegality: If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes early and pay the relevant investor an amount per Note equal to the fair market value of such Note or such other amount specified in the relevant final terms ("Final Terms"). Early redemption for taxation reasons: If the Issuer were required under the terms and conditions of the Notes (the "Conditions") to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the Noteholders, redeem all, but not some only, of such Notes and pay the relevant investor an amount per Note equal to the fair market value of such Note or such other amount specified in the relevant Final Terms. Modification and substitution: Modifications to the Conditions may be made without the consent of any Noteholders to cure any ambiguity or manifest error or correct or supplement any Conditions provided that: (i) the modification is not materially prejudicial to the interest of Noteholders; (ii) the modification is of a formal, minor or technical nature or is to correct a manifest error or is to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or (iii) the modification corrects inconsistency between the Conditions and the relevant termsheet relating to the Notes. The Notes permit the substitution of the Issuer with its affiliates without the consent of any Noteholders where the Issuer provides an irrevocable guarantee of the affiliate's obligations. Events of default: The following events constitute events of default (each, an "Event of Default") under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal due on the Notes for more than 14 days, provided that the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to HSBC Bank plc, acting in its capacity as principal paying agent (the "Principal Paying Agent"); or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of an amount per Note equal to [the fair market value of such Note] []. Meetings of Noteholders The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. No guarantee or security: The Notes are the obligations of the Issuer only and are unsecured. Taxation: All payments by the Issuer in respect of the Notes will be made without deduction of any United Kingdom taxes unless the Issuer is required by law to withhold or deduct any such taxes. Therefore, Noteholders will be liable for and/or subject to any taxes, including withholding tax, stamp duty, stamp duty reserve tax and/or similar transfer taxes, payable in
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		respect of the Notes. Governing Law: English law.
C.11	Listing and trading:	Application [has been] [will be] made to admit the Notes to the Official List of the United Kingdom Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.
C.15	Effect of value of underlying instruments on the value of the investment:	The Notes are designed to track the price of [] (the "Underlying") converted into the currency of the Note (if applicable). The Final Redemption Amount payable on redemption of any Note is linked to a fixed [amount] [level] of the Underlying by way of a hedge in respect of such fixed [amount] [number] of the Underlying (whether directly or synthetically). In general, as the [level] [price] of the Underlying increases or decreases, so will the Final Redemption Amount payable in respect of such Notes. Similarly, changes in the value of the relevant currency rate will change the value of the Notes. The quoted [price] [level] of the Underlying converted into the currency of the Note (if applicable) may diverge from the Final Redemption Amount payable under the Note owing to disparity between any hedge and the Underlying, and to the deduction of costs, such as, amongst other things, brokers fees, transaction processing fees and actual or potential taxes, and including those costs that would be incurred by the Issuer and/or its designated affiliates of hedging the Underlying whether directly or synthetically, and a fee to be retained by the Issuer, the Dealer(s) and/or their affiliates. [Not Applicable. The Notes can only be acquired for consideration of at least EUR 100,000 per Note.]
C.16	Expiration or maturity date of derivative securities:	The maturity date of the Notes is [] (the " Maturity Date ").
C.17	Settlement procedure:	The Notes will be cash-settled. All payments to Noteholders will be paid through [DTC][,/and] [Euroclear] [and/or] [Clearstream, Luxembourg].
C.18	Return on securities:	The Notes are ["Underlying Security-Linked Notes"] ["Underlying ETF-Linked Notes"] ["Underlying Fund-Linked Notes"] ["Underlying Index-Linked Notes"] and are linked to a [single underlying security] [basket of underlying securities] [single underlying ETF] [basket of underlying ETFs] [single underlying fund] [basket of underlying funds] (the "Underlying"). The Notes are market access products, which are designed for investors who wish to be exposed to fluctuations in the price of the Underlying, but who do not wish to or are not able to hold the relevant Underlying itself. In addition, the Notes are designed to allow investors to get exposure to the Underlying even though it may be priced locally in a less accessible currency or currencies. Payments at maturity The Notes will have a Final Redemption Amount which will be calculated in a different manner depending on whether the Notes are Underlying ETF-Linked Notes, Underlying Fund-Linked Notes, Underlying Index-Linked Notes or Underlying Security-Linked Notes. [The Notes are [Underlying ETF-Linked Notes] [Underlying Security-Linked Notes] and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the Realisable Sale Price. The Realisable Sale Price per Note will be equal to: • if the Issuer or any of its affiliate(s) hold the underlying assets and dispose of them, the amount per Note received from such disposal, less any costs and converted into the

		currency of the Note (if applicable); • if the Issuer or any of its affiliate(s) do not hold the underlying assets but is party to a hedge or other arrangement relating to the Notes being redeemed, the effective price at which such hedge or other arrangement was realised or unwound, less any costs and converted into the currency of the Note (if applicable); or • if the Issuer nor any of its affiliate(s) do not hold the underlying assets nor are party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note a notional, direct holder of the underlying assets of the Notes would receive from disposing of them on maturity, less any costs and converted into the currency of the Note (if applicable).] [The Notes are Underlying Fund-Linked Notes and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the aggregate of the net redemption proceeds per share in the Underlying Fund a hypothetical investor in shares in the Underlying Fund would have received on the maturity date, converted into the currency of the Note (if applicable).] [The Notes are Underlying Index-Linked Notes and accordingly the Final Redemption Amount will be the greater of 0.03 per cent. of the issue price per Note and the value at maturity of any hedge or of the securities underlying the Underlying Index or Indices of each Note ("Realisable Sale Price Per Note"). The Realisable Sale Price per Note will be equal to: • if the Issuer or its affiliate(s) is party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note received from realising or unwinding such hedge or other arrangement, less any costs and converted into the currency of the Note (if applicable); or • if the Issuer nor its affiliate(s) are not party to a hedge or other arrangement relating to the Notes being redeemed, the amount per Note a notional, direct holder of the underlying assets of the Notes would receive from disposing of them on maturity, less any costs and converted into the currency of the Note (if applicable).] If the actual or notional amounts received need to be converted into the currency of the Note, the rate of exchange used will be either: • if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or • if the Issuer or its affiliate(s) has not entered into an exchange transaction the rate of exchange which a notional, direct holder of the underlying assets of the Notes would be able to obtain. <i>Additional Payments</i> If the Notes are Underlying Security-Linked Notes or Underlying ETF-Linked Notes, then Noteholders will also potentially be entitled to Additional Payments. [The Notes are [Underlying ETF-Linked Notes] [Underlying Security-Linked Notes] and the Additional Payments payable to Noteholders will be: • if the Issuer or its affiliate(s) hold the appropriate underlying assets (that is, the shares or exchange-traded funds), the aggregate amount of the net cash dividend or distribution received; • if the Issuer or its affiliate(s) hold a hedge or other arrangement for the purposes of performing its obligations under the Notes, the net cash dividend or distribution
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		equivalent payment received under the hedge or other arrangement; - if the Issuer or its affiliate(s) do not hold any the underlying assets nor are party to a hedge or other arrangement relating to the Notes, the net amount a notional, direct holder of the underlying assets of the Notes would receive by way of cash dividend or distribution; or - if a non-cash dividend or distribution is made, the net cash value of such non-cash dividend or distribution or, if the Issuer or its affiliate(s) holds a hedge or other arrangement relating to the Notes, the net cash adjustment or settlement received in respect of such non-cash dividend or distribution under such hedge or other arrangement, in all cases, less any costs and converted into the currency of the Note (if applicable). If the actual or notional amounts need to be converted into the currency of the Note, the rate of exchange used is either: - if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or - if the Issuer or its affiliate(s) has not entered into an exchange transaction, that which a notional, direct holder of the underlying assets of the Notes would be able to obtain.] [Additional Payments do not apply to [Underlying Index-Linked Notes] [Underlying Fund-Linked Notes].] Interest Payments: The Notes do not bear interest.
C.19	Exercise price or final reference price of the underlying:	The calculations which are required to be made to calculate the Final Redemption Amount will be based on the value of the [Underlying] [basket of Underlyings] determined by the Calculation Agent being HSBC Bank plc. The Calculation Agent will determine the value of the [Underlying] [basket of Underlyings] by reference to the actual or notional value upon disposal or realisation of the [Underlying] [basket of Underlyings] or the value of realising or unwinding a hedge or other arrangement in respect of such [Underlying] [basket of Underlyings], in all cases deducting costs and converting into the currency of the Note (if applicable).
C.20	Type of the underlying:	Each Series of Notes is linked to the performance of one of the following: a security or basket of securities (together, the "Underlying Securities" and each, an "Underlying Security") issued by a company or companies (together, the "Underlying Companies" and each, an "Underlying Company") which is/are listed and/or admitted to trading on one or more stock exchanges (such Notes are referred to as, "Underlying Security-Linked Notes";); or an index or basket of indices (together, the "Underlying Indices" and each, an "Underlying Index") being composed of certain securities (together, the "Reference Securities" and each, a "Reference Security") (such Notes are referred to as, "Underlying Index-Linked Notes";); or a fund or basket of funds (together, the "Underlying Funds" and each, an "Underlying Fund") (such Notes are referred to as, "Underlying Fund-Linked Notes";); or an exchange-traded fund or a basket of funds (together, the "Underlying ETFs" and each, an "Underlying ETF") which is/are listed and/or admitted to trading on one or more stock exchanges (such Notes are referred to as, "Underlying ETF-Linked

		Notes"). The Notes are ["Underlying [Security-/Fund-/ETF-]Linked Notes", being Notes in relation to which the Final Redemption Amount is linked to [one security/fund/exchange-traded fund, namely][a basket of securities/funds/exchange-traded funds, comprised of] [] such [security/fund/exchange-traded fund] [Security/Fund/Exchange-Traded Fund] [is/are] the Underlying [Security/Securities/Fund/Funds/Exchange-Traded Fund/Exchange-Traded Funds] to which the Notes are linked. Underlying [Security-/Fund-/ETF-]Linked Notes are also referred to in the prospectus as "Underlying Equity-Linked Notes". ["Underlying Index-Linked Notes", being Notes in relation to which the Final Redemption Amount is linked to [one index, namely] [a basket of indices, comprised of] [MSCI [] Index] [FTSE [] Index] [TSWE [] Index] [Kospi [] Index] [Hang Seng [] Index] [TOPIX [] Index] [S&P [] Index] []. Such [index/basket of indices] [is/are] the Underlying [Index/Indices] to which the Notes are linked.] References to "Underlying", either in the singular or plural form, shall refer to any Underlying applicable to a Series of Notes. [Information on the Underlying can be found on [].]
		Section D – Risks
D.2	Key risks specific to the issuer:	<i>The Issuer has exposure to the ongoing economic crisis in the eurozone:</i> There is potential for contagion from the continued instability in the eurozone from the peripheral to the core eurozone countries, and beyond to trading partners. The Issuer is exposed to institutions and banks which may be affected by sovereign or currency crises. <i>The Issuer has significant exposure to counterparty risk both within the financial sector and to other risk concentrations:</i> Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect its funding and its ability to manage the risks of its business. <i>Liquidity, or ready access to funds, is essential to the Issuer's business:</i> If the Issuer is unable to raise funds, its liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals or obligations under committed financing facilities, to fund new investments or to repay borrowings as they mature. <i>The Issuer's operations are highly dependent on its information technology systems:</i> The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service or a material breach of security could cause long-term damage to the Issuer's business and brand. <i>The Issuer faces a number of challenges in regulation and supervision and associated regulatory risks:</i> The proposals relating to Basel III, the draft legislation proposed by the UK Independent Commission on Banking ("ICB"), the recommendations of the Liikanen Group and the Capital Requirements Directive IV are likely to have an effect on the activities of the Group. The proposals and finalised legislation relating to capital and liquidity will result in increased capital and liquidity requirements and could have a material effect on the Group's future financial condition or results of its operations. The ICB proposals may affect the manner in which the Group conducts its activities and structures itself, with the potential to both increase the costs of doing business and curtail the types of business carried out, with the risk of decreased profitability as a result. In addition, the new regulatory structure within the UK comprising the Financial Policy Committee ("FPC"), the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") may affect the Bank, and the Group and its activities, in particular as the FPC has the ability to seek additional capital for lending to sectors perceived as higher risk. The FCA has continued to increase its focus on 'conduct risk' including attention to sales processes and incentives, product and investment suitability and

		conduct of business concerns more generally. In conjunction with this focus, the UK regulators are making increasing use of existing and new powers of intervention and enforcement. This may lead to significant costs and liabilities for the Issuer. Regulatory investigations: HSBC Holdings has entered into agreements with U.S. and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Failure to comply with the terms of such agreements may have an adverse effect on the Group. In addition, the Group continues to be subject to a number of other regulatory proceedings into certain past submissions made by panel banks in connection with the setting of London interbank offered rates and other benchmark interest and foreign exchange rates and in relation to alleged anti-competitive activity in the credit derivative market. Remediation: The Group has established customer redress programmes in relation to the possible mis-selling of Payment Protection Insurance policies and interest rate products sold to small businesses. There remains a high degree of uncertainty as to the eventual costs of redress for these matters.
D.6	Key risks specific to the securities and risk warning to investors:	Credit risk: The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario, investors in the Notes could lose all of their invested amounts. The Notes are unsecured obligations: The Notes are not secured over any asset. Therefore, the investor would not be able to enforce security as a method of recouping payments due under the Notes if the Issuer were to become insolvent and cease to be able to pay such amounts. The Notes are not ordinary debt securities: The Notes do not pay interest and, upon redemption, may return less than the amount invested or nothing. Notes are designed to track the price or level of the Underlying. If the performance of such Underlying does not move in the anticipated direction or if the issuer thereof becomes insolvent, the Notes will be adversely affected and, in a worst case scenario, may become worthless. Payments under the Notes may be delayed: Payments to Noteholders which are calculated by reference to hedging arrangements will only be due if the proceeds would have been received by an investor outside the jurisdiction where the Underlying is listed or quoted. There is a risk that limitations on the importation and withdrawal of funds in such jurisdiction could lead to potential delays in payments under the Notes or, in the worst case, the Notes becoming worthless. No ownership rights: The Notes do not confer any legal or beneficial interest or any voting or dividend rights in the Underlying or the Reference Securities. There may be no active trading market or secondary market for liquidity for Notes: Any Series of Notes may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Notes until maturity of such Notes or may not realise a return that equals or exceeds the purchase price of their Notes. Notwithstanding the foregoing, the Issuer may issue Notes which provide for certain circumstances where the Issuer and/or Dealer may buy-back such Notes from the Noteholders. Certain factors affecting the value and trading price of Notes: The Final Redemption Amount payable under the Notes may be affected by fluctuation in value of the Underlying or the Reference Securities, changes in currency exchange rates or, where applicable, the number and type of Underlyings included in a basket to which the relevant Notes relate. Conflicts of interest may arise between the interests of the Issuer or its affiliates and those of the Noteholders: The Issuer or its affiliates may enter into hedging or other transactions (i) relating to Underlyings or the Reference Securities or (ii) with issuers of Underlyings or the Reference Securities. The Issuer or its affiliates may also publish research or other reports

	relating to Underlyings or the Reference Securities. Any such activities may have a negative effect on the value of Notes relating to such Underlyings. In addition, the Issuer may assume roles as hedging party, service providers or calculation agent in respect of Underlyings which are funds, calculation agent under the Notes or publisher of research reports. In respect of any of these roles the Issuer may have interests that conflict with the interests of Noteholders. Commission and cost of hedging: The issue price of the Notes may include the distribution commission or fee charged by Issuer or its affiliates and the cost or expected costs of hedging the Issuer's obligations under the Notes (if any). Accordingly, there is a risk that, upon issue, the market price of Notes may be lower than original issue price of the Notes. Also, fees, commission and hedging costs may be deducted from the Final Redemption Amount. [Exchange rate risks and exchange control risks: The Issuer will pay amounts in respect of the Notes in the Settlement Currency. Since the Underlying is referenced in [] (the "Underlying Currency"), amounts payable under the Notes may be affected by multiple currency conversion costs which may be passed on to investors. Where the Settlement Currency is not the same as the investor's home currency, the realisable value of the investment in the investor's home currency may be at risk from fluctuations in the exchange rate. Government and monetary authorities may impose or modify exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. As a result of such restrictions and controls the Issuer may suspend its obligations to make any payment under any Notes if and for as long as such exchange controls have occurred and are continuing. Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension.] [Market Disruption Events and Additional Disruption Events: In the case of early closure of the relevant exchange, disruption of such exchange or suspension of trading on such exchange ("Market Disruption Events") or a change in applicable laws, hedging disruption, increased costs of hedging, where applicable, an insolvency filing of the issuer of the Underlying or a currency event ("Additional Disruption Events"), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or redemption of the Notes in case of an Additional Disruption Event in respect of such Notes may have an adverse effect on the value of such Notes and/or the Final Redemption Amount. Illegality or changes in tax law may cause the Issuer's obligations under the Notes to be redeemed early: If the Calculation Agent determines in its sole and absolute discretion acting in good faith that the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable, or if the Issuer determines that it has become liable for, or payments under the Notes have become subject to, any taxes, the Issuer may redeem the Notes and pay a sum representing the fair market value of the Notes. As a result Noteholders will forgo any future appreciation in the relevant Underlying, may suffer a loss of some or all of their investments. Considerations regarding hedging: The value of the Note may not exactly correlate with the value of the Underlying to which the Note relates. Tax risks: The amount of a payment to the investor under the Notes may be decreased to take into account the effect of taxes on an investment in the Underlying. There is a risk that tax law or practice will change in the future resulting in the imposition of or increase in tax on an investment in, or disposition of the Underlying. This will result in a decrease of the amounts payable under the Notes. Also, investors in the Notes will be obliged to pay all taxes payable in connection with the subscription, purchase or holding of such Note and the payment of the Final Redemption Amount and/or any Additional Payment. [Emerging market risks: Investors in Notes relating to Underlyings which are issued in or located in or listed on an exchange in an emerging market, namely [], should be aware that investments in emerging markets, and specifically [], are subject to greater risks than well-developed western markets. Institutions relied upon for the efficient functioning of capital markets, such as stock exchanges, economic, legal and regulatory institutions, systems for the clearing, settlement and registration of securities, may be less developed. Disclosure standards may be less onerous on issuers and accountancy practices may differ from those which are internationally accepted. Political conditions in certain geographic locations where the issuers
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		of Underlyings may operate may be volatile or unstable, and there could be increased price volatility.] [Specific risks relating to Underlying Index-Linked Notes: The sponsor of [the/an] Underlying Index, namely [], may amend the rules applicable to the determination of the level of such index, replace such index with a successor index or cancel such index. Such actions may give rise to an adjustment to the terms of the Notes or early redemption of the Notes. As a result hereof the value of the Notes may be adversely affected and/or investors may loss some or all of their invested amount in the Notes.] [Specific risks relating to Underlying Equity-Linked Notes: If a Potential Adjustment Event occurs and dilutes the theoretical value of the Underlying or an Extraordinary Event occurs, the Calculation Agent may make corresponding adjustments to the conditions of the Notes which may adversely affect the Final Redemption Amount payable or (in the case of Extraordinary Events) may redeem the Notes; as a result the Noteholder may lose some or all of its investment.] [As the Underlying are units in a fund, the investor will be exposed to the risks of specific regulation affecting funds, risk relating to the fund's management and internal rules and, where the fund is a synthetic fund, also from counterparty risk from the swap counterparty.] [RMB risks: There are restrictions on the conversion of RMB into other currencies. The amount of Offshore RMB deliverable outside PRC may be limited, which may affect the liquidity of Offshore RMB linked Notes. The market for Offshore RMB is a different market to that of RMB deliverable in PRC. The Offshore RMB exchange rate may be influenced by the onshore RMB exchange rate. The Offshore RMB market may become illiquid or Offshore RMB may become inconvertible or non-transferable. In such circumstances the Issuer may settle payments under the Notes in U.S. dollar, if practicable or Noteholders may suffer a loss of some or all of their investments. In addition, interest rates are government-controlled in PRC and changes therein may affect the Offshore RMB interest rate which may cause the value of the Notes to fluctuate. Investors may lose the value of their entire investment or part of it, as the case may be.
		Section E – Offer
E.2b	Reasons for the offer and use of proceeds:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Notes to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes and thus reasons for the offer and use of proceeds are not required.
E.3	Terms and conditions of the offer:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Notes to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes and thus a description of the terms and conditions of the offer is not required.
E.4	Interests material to the issue/offer including conflicts of interest:	The Issuer or its affiliates may engage in hedging or other transactions involving the relevant Underlying which may have a positive or negative effect on the value of such Underlying and therefore on the value of any Notes to which they relate. Certain affiliates of the Issuer may also be the counterparty to the hedge of the Issuer's obligations under an issue of Notes and the Calculation Agent is responsible for making determinations and calculations in connection with the Notes in its sole and absolute discretion acting in good faith [and may be a service provider in respect of Underlyings which are funds]. The Issuer or its affiliates may from time to time advise the issuer or obligors of, or publish research reports relating to, an Underlying. The views or advice may have a positive or negative effect on the value of an Underlying and may be inconsistent with purchasing or holding the Notes relating to such an Underlying. [Fees [are] [may be] payable by the Issuer to the Dealer[s] acting as underwriter(s) of issues of the Notes.] [[Save as disclosed above, no] [No] person involved in the issue of the Notes has an interest material to the issue.] [The following additional interest(s) are material to issues of the Notes: []].]

E.7	Estimated expenses charged to the investor by the issuer or the offeror:	Not Applicable. This prospectus has been prepared solely in connection with the admission of Notes to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes and expenses in respect of the listing of Notes are not charged directly by the Issuer or Dealer(s) to the investor.
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ANNEX 5

HSBC Bank plc Unaudited Consolidated Interim Report

Company No. 14259

2013

Interim Report

HSBC Bank plc

Interim Report 2013

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Presentation of Information

This document is the Interim Report 2013 for HSBC Bank plc ('the bank') and its subsidiary undertakings (together 'the group'). It contains the Interim Management Report and Condensed Financial Statements, together with the Auditor's review report, as required by the Financial Conduct Authority's ('FCA') Disclosure and Transparency Rules ('DTR'). References to 'HSBC' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

Within the Interim Management Report, the group has presented income statement figures for the three most recent 6 month periods to illustrate the current performance compared to recent periods. This compares to the Condensed Financial Statements and related notes, prepared in accordance with IAS 34, which include income statement year on year comparatives.

In November 2012, the group sold HSBC Private Banking Holdings (Suisse) SA ('PBSU') to HSBC Holdings plc, with the exception of HSBC Private Bank (UK) Limited which remains part of the group. The consolidated income statement and consolidated statement of comprehensive income have been re-presented to show the discontinued operations separately from continuing operations. The commentaries included in the Business Review have been prepared on a continuing operations basis. In June 2013 the bank acquired the assets and liabilities of HFC Bank Limited.

With effect from 1 January 2013, the group's operating segments have been revised to reflect internal changes made to the management structure. The revised segments are consistent with those reported to the bank's Executive Committee, the identified Chief Operating Decision Maker under IFRS 8. Further details are provided in *Note 1 'Basis of Preparation'* on page 24. All comparatives have been adjusted accordingly.

Cautionary Statement Regarding Forward-Looking Statements

This Interim Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the group.

Certain statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or subsequent events.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

Interim Management Report: Financial Highlights

	Half-year to		
	30 June 2013	30 June 2012	31 December 2012
For the period (£m)			
Profit on ordinary activities before tax	2,273	757	247
Total operating income	8,377	8,186	7,221
Net operating income before loan impairment charges and other credit risk provisions	6,925	6,813	5,675
Profit attributable to shareholders of the parent company	1,681	762	1,622
At period end (£m)			
Total equity attributable to shareholders of the parent company	31,911	32,347	31,675
Risk-weighted assets	200,368	216,366	193,402
Loans and advances to customers (net of impairment allowances)	282,498	291,804	282,685
Customer accounts	355,373	364,568	324,886
Capital ratios¹ (%)			
Core Tier 1 ratio	11.1	9.9	11.4
Tier 1 ratio	12.0	10.8	12.4
Total capital ratio	16.9	15.3	17.3
Performance and efficiency ratios (annualised %)			
Return on average shareholders' funds (equity) of the parent company	10.6	4.8	2.2
Pre-tax return on average risk-weighted assets	2.3	0.7	0.2
Cost efficiency ratio	59.2	78.9	85.6
Financial ratios (%)			
Ratio of customer advances to customer accounts	79.5	80.0	87.0
Average total shareholders' equity to average total assets ²	3.7	3.3	3.4

¹ Includes profits for the period to 30 June 2013. Does not include the interim dividend of £570 million declared by the Board of Directors after 30 June 2013.

² This ratio differs from the calculation of the Basel III leverage ratio. The leverage ratio is based on regulatory Tier 1 capital to total exposure (also including off-balance sheet items and adjustments for derivatives and netting).

Financial Highlights of the group

HSBC Bank plc and its subsidiaries reported a profit before tax of £2,273 million in the first half of 2013, compared with profits of £757 million and £247 million in the first and second halves of 2012 respectively. On a continuing operations basis, adjusting the 2012 results to exclude the contribution made by PBSU, profit before tax increased by £1,720 million compared with the first half of 2012. The increase was largely due to significantly lower operating expenses driven by a decrease in provisions relating to customer redress programmes, together with higher Global Banking and Markets ('GB&M') revenue, which included a favourable debit valuation adjustment on derivative contracts, and a decline in loan impairment charges.

All operating business segments reported an increase in profit before tax when compared to both halves of 2012.

In Retail Banking and Wealth Management ('RBWM'), the group continued to support the UK housing market during the first half of 2013, approving £7.1 billion of new mortgage lending funds to over 68,000 customers. This included £2.0 billion to over 16,000 first time buyers. The loan-to-value ratio on new lending was 59 per cent compared with an average of 51 per cent for the total mortgage portfolio. In Turkey, the business continued to target the mass affluent market and expand the strong credit card business.

In Commercial Banking ('CMB'), the group launched a further International SME fund of £5 billion supporting UK businesses that trade, or aspire to trade, internationally, with approved lending through the fund of £2.4 billion in the first half of 2013. Similarly, in France, an SME fund of €1 billion was launched, targeted at international trade customers, with approved lending of €0.7 billion in the first half of 2013.

In GB&M, Payments and Cash Management and Foreign Exchange businesses launched 'Global Disbursements' and 'FlexRate Payway', which provide clients with the ability to make multi-currency payments more efficiently with foreign exchange rates being guaranteed for an agreed period. In Credit, primary issuances increased reflecting demand for financing from debt capital markets resulting in leading positions and increased market share in both the Euro and Sterling markets.

Interim Management Report: Business Review

HSBC Values and Global Standards

The role of HSBC Values in daily operating practice is fundamental to the group's culture in the context of the financial services sector and the wider economy. This is particularly important in the light of developments and changes in regulatory policy, investor confidence and society's view of the role of banks. HSBC expects its executives and employees to act with courageous integrity by being:

- dependable and doing the right thing;
- open to different ideas and cultures; and
- connected with customers, communities, regulators and each other.

HSBC continues to enhance its values-led culture by embedding HSBC Values into how it conducts its business and in the selection, assessment, recognition and learning provided to staff.

In line with HSBC's ambition to be the world's leading international bank, it aspires to lead the industry in standards of conduct. As international markets become more interconnected and complex and as threats to the global financial system grow, the group is further strengthening the policies and practices which govern how and with whom it does business.

HSBC greatly values its reputation and its success over the years is due in no small part to its reputation for trustworthiness and integrity. HSBC is committed to adopting and enforcing the highest compliance standards across the group.

Under the supervision of the Group's Global Standards Steering Meetings of the Group Management Board, HSBC is strengthening policies in a number of important areas. HSBC is also reinforcing the status of compliance and standards as an important element of how it assesses and rewards senior executives, and rolling out communication, training and assurance programmes to ensure that all staff understand and meet their responsibilities.

HSBC has adopted the UK Code of Practice for the Taxation of Banks and seeks to apply the spirit as well as the letter of the law in all countries in which it operates. The Group deals with tax authorities in an open and honest manner and are strengthening its policies and controls with the objective of ensuring its services are not used by clients seeking to evade their tax obligations.

A committee of the HSBC Holdings Board, the Financial System Vulnerabilities Committee, will provide governance, oversight and policy guidance over the framework of controls and procedures designed to identify areas where HSBC may become exposed and through that exposure, expose the financial system more broadly to financial crime or system abuse.

Economic briefing

The UK economy recovered tentatively, with real Gross Domestic Product ('GDP') growing by 0.3 per cent in the first quarter and 0.6 per cent in the second quarter of 2013. The labour market was resilient and employment reached new highs, while unemployment was 7.8 per cent in the three months to May, down from 7.9 per cent in the previous quarter. Inflation, as measured by the Consumer Prices Index ('CPI') increased from 2.7 per cent in December 2012 to 2.9 per cent in June 2013. The Bank of England left its key interest rate at 0.5 per cent and its stock of asset purchases was unchanged at £375 billion.

The eurozone economy remained in recession in the first quarter of 2013 and GDP shrank by 0.2 per cent. This was the sixth consecutive quarter of contraction, despite a bounce in German consumer spending of 0.8 per cent. Unemployment rose from 11.9 per cent in December 2012 to 12.1 per cent in June 2013. Exports continued to fall although there were signs of stabilisation in the second quarter, even in the periphery with export orders in Spain and Italy recovering according to purchasing managers' surveys. Inflation fell from 2.5 per cent to 1.6 per cent in the first half of 2013, and the squeeze on real wages started to abate. In May, in view of the weakness in economic activity and falling inflation, the ECB cut their interest rate by 0.25 per cent to a record low of 0.5 per cent. The ECB's commitment to buy unlimited amounts of government bonds helped government bond spreads in the periphery continue to narrow until late April. Any effect on government bond spreads as a result of the Italian election result and the Cyprus refinancing deal were very short-lived. Following the US Federal Reserve's suggestion that it could soon start to taper the pace of its quantitative easing market interest rates rose during May and June.

Interim Management Report: Business Review (continued)**Financial summary****Summary consolidated income statement**

	Half year to				
	Continuing Operations			Reported	
	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m	30 June 2012 £m	31 December 2012 £m
Net interest income	3,437	3,216	3,303	3,450	3,454
Net fee income	1,648	1,628	1,681	1,913	1,868
Net trading income	2,518	1,219	368	1,374	460
Net (expense)/income from financial instruments designated at fair value	(512)	(61)	179	(61)	179
Gains less losses from financial investments	123	294	41	295	41
Net earned insurance premiums	1,132	1,180	1,106	1,180	1,106
Other operating income	31	31	113	35	113
Total operating income	8,377	7,507	6,791	8,186	7,221
Net insurance claims incurred and movements in liabilities to policy holders	(1,452)	(1,373)	(1,546)	(1,373)	(1,546)
Net operating income before impairment charges and other credit risk provisions	6,925	6,134	5,245	6,813	5,675
Loan impairment charges and credit risk provisions	(550)	(675)	(571)	(674)	(571)
Net operating income	6,375	5,459	4,674	6,139	5,104
Total operating expenses	(4,103)	(4,902)	(4,604)	(5,378)	(4,858)
Operating profit	2,272	557	70	761	246
Share of profit/ (loss) of associates and joint ventures	1	(4)	1	(4)	1
Profit before tax	2,273	553	71	757	247
Tax (expense)/ credit	(567)	63	157	29	127
Profit for the period before discontinued operations	1,706	616	228	786	374
Gain on sale of discontinued operations	–	–	–	–	1,265
Profit for the period	1,706	616	228	786	1,639
Profit attributable to shareholders of the parent company	1,681	592	211	762	1,622
Profit attributable to non-controlling interests	25	24	17	24	17

Review of business performance

HSBC Bank plc and its subsidiaries reported a profit before tax of £2,273 million in the first half of 2013, compared with profits of £757 million and £247 million in the first and second halves of 2012 respectively.

All group operating business segments reported an increase in profit before tax when compared to both halves of 2012.

The following commentary is on a continuing operations basis.

On a continuing operations basis, adjusting the 2012 results to exclude the contribution made by PBSU, profit before tax increased by £1,720 million compared with the first half of 2012.

Net interest income increased by £221 million compared with the first half of 2012. The rise in RBWM was driven by higher average lending balances, principally residential mortgages in the UK and to a lesser extent in France. In GB&M, net interest income was higher in the UK from wider margins in the Credit & Lending businesses as pricing increased and funding costs reduced. In CMB net interest income was also higher, mainly in the UK, driven by growth in term lending and higher new business margins.

Net fee income increased by £20 million compared with the first half of 2012. In CMB the growth in fee income reflected higher levels of lending in the UK. In GB&M, most notably in Germany, higher levels of fees were earned on primary issuances. In RBWM the growth in credit card and mortgage fees in Turkey was more than offset by lower general insurance revenues and higher fees paid under partnership agreements in the UK.

Net trading income increased by £1,299 million compared with the first half of 2012. Of this increase, £1 billion was due to favourable foreign exchange movements on trading assets held as economic hedges against foreign currency debt held at fair value compared with adverse movements reported in the first half of 2012. These offset adverse foreign exchange movements on the foreign currency debt reported in 'Net (expenses)/income from financial instruments designated at fair

Interim Management Report: Business Review (continued)

value'. In addition, there was a favourable debit valuation adjustment ('DVA') of £198 million on derivative contracts reflecting a widening of spreads on the bank's credit default swaps and from further refinement of the calculation.

A rise in Credit trading revenue resulted from reserve releases, compared with charges in the prior year and revaluation gains in the legacy portfolio. An increase in Foreign Exchange trading revenue was due to higher client volumes which benefited from improved electronic pricing and distribution capabilities. Equities trading revenue also increased reflecting positive fair value movements on certain assets in Europe, together with lower adverse movements on structured liabilities.

These increases were partly offset by lower trading revenue in Global Markets, driven by a fall in Rates revenue. The Rates business benefited from a significant tightening of spreads on eurozone bonds in the first half of 2012 following the ECB's Long-Term Refinancing Operation ('LTRO'). Although performance in the first quarter of 2013 was resilient, reflecting improved investor sentiment, the second quarter was adversely affected by more volatile market conditions on the expectations that the scale of government repurchase schemes and quantitative easing measures may be reduced.

Net expenses from financial assets designated at fair value of £512 million compared with expenses of £61 million in the first half of 2012. This included an adverse foreign exchange movement of £757 million in the first half of the year (first half 2012: gain of £277 million) on foreign currency debt designated at fair value issued as part of the group's overall funding strategy. An offset, from trading assets held as economic hedges, of this amount is reported in '*Net trading income*'.

This was partially offset by a £477 million favourable movement due to the change in credit spreads on the group's own debt held at fair value. In addition, there were higher net investment gains recognised on the fair value of assets held to meet liabilities under insurance and investment contracts as market conditions improved.

Gains less losses from financial investments were £171 million or 58 per cent lower than the first half of 2012. Net gains on the disposal of debt securities fell as the first half of 2012 included significant gains on the sale of available-for-sale government debt securities, notably in the UK, as part of structural interest rate risk management of the balance sheet.

Net earned insurance premiums decreased by £48 million or 4 per cent mainly in RBWM in France. This was primarily due to lower life insurance sales in France reflecting the adverse economic environment and anticipation of customers of the impact of new regulations relating to the investment market. In addition, lower volumes following the run-off of business from independent financial advisor channels also impacted 2013 premiums.

Other operating income remained broadly in line with the first half of 2013.

Net insurance claims incurred and movement in liabilities to policyholders increased by £79 million. The increase in liabilities to policyholders was due to the increase in gains experienced on the financial assets designated at fair value held to support these insurance and investment contract liabilities. This was partially offset by a decrease in new business written, notably in France, explained under '*Net earned insurance premiums*'.

Loan impairment charges and other credit risk provisions decreased by £125 million or 19 per cent. This was mainly due to net releases on available-for-sale asset back securities within GB&M in the UK, compared with charges in the first half of 2012. RBWM in the UK saw a reduction in loan impairment charges as a result of improved delinquency rates and reductions in the size of its unsecured portfolio. This was partially offset by increases in collectively assessed provisions in Turkey mainly as a result of increased unsecured lending reflecting business expansion. In CMB loan impairment charges were higher as impairments were raised against a small number of specific exposures in Spain and the UK.

Total operating expenses decreased by £799 million or 16 per cent, due primarily to lower UK customer redress provisions of £267 million. This included a charge for additional estimated redress for possible mis-selling in previous years of PPI policies of £238 million (H1 2012: £571 million) which took the balance sheet provision for the UK customer redress programmes at 30 June 2013 to £1.2 billion. Restructuring costs of £65 million were £67 million lower than the comparable period in 2012.

Following a consultation process on various employee benefit proposals, the bank announced to employees in the UK that the future service accrual for defined benefit members would cease from 1 July 2015. As part of these amendments, the bank is changing the basis of delivering ill-health benefits to certain employees, resulting in the recognition of an accounting gain of £280 million. This credit, together with lower performance costs in GB&M reduced the level of staff costs compared to the first half of 2012.

During the first half of 2013 the group maintained its strict cost control discipline and benefited from the delivery from its organisational effectiveness programmes. Compared to the first half of 2012 full time equivalent staff numbers across the

Interim Management Report: Business Review (continued)

group have fallen by 10 per cent. Partially offsetting these savings was an increase in litigation costs primarily relating to the agreed settlement reached with Thema International Fund plc in respect to a Madoff related claim.

Tax expense totalled £567 million, compared to tax income of £63 million in the first half of 2012. The effective tax rate for the first half of 2013 was 24.9 per cent, compared to (11.4) per cent for the same period in 2012. The tax expense in the first half of 2013 is a result of the increased level of taxable profits.

Review of business position**Summary consolidated balance sheet**

	At 30 June 2013 £m	At 31 December 2012 £m
Total assets	855,592	815,481
Cash and balances at central banks	59,438	51,613
Trading assets	188,724	161,516
Financial assets designated at fair value	16,293	15,387
Derivative assets	155,723	177,808
Loans and advances to banks	51,610	32,286
Loans and advances to customers	282,498	282,685
Financial investments	77,928	71,265
Other	23,378	22,921
Total liabilities	823,133	783,281
Deposits by banks	44,596	39,571
Customer accounts	355,373	324,886
Trading liabilities	150,252	122,896
Financial liabilities designated at fair value	34,466	32,918
Derivative liabilities	156,438	181,095
Debt securities in issue	38,895	40,358
Liabilities under insurance contracts issued	19,074	17,913
Other	24,039	23,644
Total equity	32,459	32,200
Total equity attributable to shareholders of the parent company	31,911	31,675
Non-controlling interests	548	525

Total assets amounted to £856 billion, 5 per cent higher than at 31 December 2012.

The group continued to attract customer deposits during the first half of 2013, further enhancing its strong liquidity position. This has enabled it to continue supporting its customers borrowing requirements, leading to higher mortgage balances in the UK and increased term lending in other markets. In addition, higher client activity led to a rise in trading balances. However, the value of derivatives fell as yield curves in major currencies trended upwards.

The group maintained a strong and liquid balance sheet with the ratio of customer advances to customer accounts of 79.5 per cent (December 2012: 87.0 per cent).

The group's reported Core Tier 1 ratio stood at 11.1 per cent (December 2012: 11.4 per cent). Risk-weighted assets of £200 billion were 4 per cent higher than at 31 December 2012.

Assets

Cash and balances at central banks increased by 15 per cent as surplus liquidity was placed with central banks, in line with the group's conservative risk profile.

Trading assets increased by 17 per cent primarily due to a rise in settlement accounts. Settlement account balances vary according to customer trading activity, which is typically lower at the end of the year. Equity securities, held as economic hedges of client positions, also increased as a result of business expansion. These movements were partly offset by a decline in reverse repo balances.

Financial assets designated at fair value increased by 6 per cent due to the investment of net premiums received during the period from insurance businesses and favourable equity market movements over the period.

Interim Management Report: Business Review (continued)

Derivative assets decreased by 12 per cent. The upward movements in yield curves in major currencies led to a decline in the fair value of interest rate contracts.

Loans and advances to banks rose by 60 per cent from the relatively low levels seen at December 2012. This was due to higher customer demand for reverse repo funding.

Loans and advances to customers were broadly in line with December 2012. Declines in reverse repos with non-bank counterparties were offset by further increases in mortgage lending in the UK and term lending in Turkey, reflecting the group's focus on its core markets.

Financial investments rose by 9 per cent following net new purchases by Balance Sheet Management as it deployed surplus liquidity.

Liabilities

Deposits by banks rose by 13 per cent from the low levels seen in December 2012. The repayment in early 2013 of the €5 billion of LTRO funding in France was more than offset by a rise in repo balances to fund the increase in reverse repo activity and higher placements by financial institutions in the UK.

Customer accounts grew by 9 per cent as the group continued to attract deposits from customers who, in the current environment, elected to hold liquid funds. Repo balances also rose as a result of a significant short-term placement at the end of the period.

Trading liabilities increased by 22 per cent due to a rise in settlement account balances, which vary according to customer trading activity. In addition, net short bond and equity positions rose as a result of an increase in client activity compared with the reduced activity typically seen at the end of the year.

Financial liabilities designated at fair value increased by 5 per cent as maturities were more than offset by new issuances.

The reduction in the value of *derivative liabilities* was in line with that of 'Derivative assets' as the underlying risk is broadly matched.

Debt securities in issue decreased by 4 per cent as maturing certificates of deposits and bonds were only partially offset by new issuances.

Liabilities under insurance contracts increased by 6 per cent as a result of reserves established for new business written and gains on unit-linked products from favourable equity market movements.

Equity

Total shareholders' equity was in line with 31 December 2012.

Liquidity position

The group's liquidity and funding metrics improved over the first half of 2013 driven by an increase in core customer deposits. As at 30 June 2013, the bank held sufficient buffers against all regulatory liquidity requirements.

Risk

HSBC's global risk operating model supports adherence to globally consistent standards and risk management policies across the Group. The HSBC Bank plc Board, advised by the Risk Committee, approves the bank's risk appetite.

Balance sheet assets grew by 5 per cent and credit risk-weighted assets increased by 4 per cent during the period.

In the first six months of 2013, financial markets were dominated by concerns over sovereign debt default risk and its contagion effects, the Middle East and the perception that the world economic recovery remained fragile. This created volatility in financial markets. In the face of this changeable economic and financial environment, HSBC maintained its conservative risk profile by reducing exposure to the most likely areas of stress. Stress tests were run regularly to evaluate the potential impact of emerging scenarios and, where appropriate, the group adjusted its risk appetite accordingly.

The group continued to manage selectively its exposure to sovereign debt and bank counterparties, with the overall quality of the portfolio remaining strong. The group regularly updated its assessment of higher risk countries and adjusted its risk appetite and exposures to reflect these updates.

Interim Management Report: Business Review (continued)

Areas of special interest

Compliance

In recent years, HSBC has experienced increasing levels of compliance risk as regulators and other agencies pursued investigations into historical activities. HSBC continued to work with regulators and these other agencies in relation to existing issues. This has included the matters giving rise to the Deferred Prosecution Agreements ('DPA') reached with US authorities in relation to investigations regarding inadequate compliance with anti-money laundering and sanctions law, and the related undertaking with the FSA (now revised as directions from the Financial Conduct Authority ('FCA') following the UK regulatory restructuring in April 2013).

The bank has been involved in investigations into the mis-selling of certain products in the UK. This included sales of Payment Protection Insurance ('PPI') and interest rate derivative products to SMEs. As well as investigations and reviews related to certain past submissions made by panel banks and the process for making submissions in connection with the setting of Libor, Euribor and other benchmark interest and foreign exchange rates.

There has been a substantial increase in the volume of new regulation, much of which has some element of extra-territorial reach. The level of activity among regulators and law enforcement agencies in investigating possible breaches of regulations has also increased, and the direct and indirect costs of such breaches can be significant. As a result the group believes that the level of inherent compliance risk will continue to remain high for the foreseeable future.

Commercial Real Estate ('CRE')

The group's CRE lending is concentrated in the UK, where many regions continued to be negatively affected by weak growth in the economy. London and the South East, where more than 50 per cent of the bank's UK CRE lending is based, continued to exhibit relative strength.

While there continues to be a prolonged concern regarding the sensitivity to risks of refinancing, no deterioration in market conditions has been experienced in the first half of 2013. Refinancing risk was discussed in the *Annual Report and Accounts 2012* (page 38).

There was a marginal reduction in UK CRE balances compared with the end of 2012 with no material changes in loan and advances due to be refinanced in the next 12 months.

Exposure to countries in the eurozone

Eurozone countries are members of the European Union ('EU') and part of the euro single currency bloc. The eurozone countries identified as peripheral exhibited levels of market volatility which exceeded those of other eurozone countries and demonstrated fiscal or political uncertainty which may persist through the second half of 2013. Despite improvements through austerity and structural reforms, the peripheral eurozone countries of Greece, Ireland, Italy, Portugal, Spain and Cyprus continued to exhibit high sovereign debt to GDP ratios or short to medium-term maturity concentration of their liabilities.

In March 2013 Cyprus sought assistance from the Troika (the European Commission, European Central Bank and the International Monetary Fund) which ultimately agreed a bailout under conditions requiring a consolidation of banking assets and the 'bail in' of larger depositors' monies. Capital controls led to some minor disruption of payments from Cyprus. However, the group has limited exposure to the country and no impairments have been recorded as a result.

The framework for dealing with counterparty and systemic crisis situations was described on page 34 of the *Annual Report and Accounts 2012*. It continued to operate throughout the first half of 2013 to ensure that pre-crisis preparation remains apposite and robust. A Major Incident Group was effective in dealing with HSBC's response to the Cyprus sovereign debt crisis. The main focus of Eurozone Contingency Planning continues to be on Greece and Spain. Other scenarios including contagion risk to non-eurozone countries or the exit of a higher impact eurozone member remain under consideration.

At 30 June 2013, the group's net exposure to the peripheral eurozone countries was £21.1 billion, including net exposure to sovereign borrowers, agencies and banks of £6.2 billion. During the first half of 2013, there were marginal reductions in aggregate exposure to sovereigns and agencies of peripheral eurozone countries.

The group's businesses in peripheral eurozone countries are funded from a mix of local deposits, local wholesale funding and intra-group loans extended from HSBC operations with surplus funds. Intra-group funding carries the risk that a member country might exit the eurozone and redenominate its national currency, which could result in significant currency devaluation.

Interim Management Report: Business Review (continued)

The group's exposure to selected eurozone countries is analysed in the tables below:

Exposure to eurozone countries

On- and off-balance sheet exposure

At 30 June 2013								
	Peripheral eurozone countries					Germany £bn	Netherlands £bn	France £bn
	Greece £bn	Ireland £bn	Italy £bn	Portugal £bn	Spain £bn			
Total								
On-balance sheet	3.5	4.7	3.2	0.3	4.8	32.8	16.3	67.6
Off-balance sheet	0.5	0.7	1.5	–	1.9	7.2	2.3	18.1
	4.0	5.4	4.7	0.3	6.7	40.0	18.6	85.7
Sovereigns & agencies								
On-balance sheet	–	0.2	1.1	0.2	(0.1)	20.2	7.6	13.8
Off-balance sheet	–	–	–	–	–	0.1	–	0.2
	–	0.2	1.1	0.2	(0.1)	20.3	7.6	14.0
Banks								
On-balance sheet	1.2	0.9	0.6	–	2.1	6.2	1.7	28.8
Off-balance sheet	–	–	–	–	–	–	–	0.8
	1.2	0.9	0.6	–	2.1	6.2	1.7	29.6
Other financial institutions & corporates								
On-balance sheet	2.3	3.6	1.5	0.1	2.8	6.4	7.0	25.0
Off-balance sheet	0.5	0.7	1.5	–	1.9	7.1	2.3	17.1
	2.8	4.3	3.0	0.1	4.7	13.5	9.3	42.1

At 31 December 2012								
	Peripheral eurozone countries					Germany £bn	Netherlands £bn	France £bn
	Greece £bn	Ireland £bn	Italy £bn	Portugal £bn	Spain £bn			
Total								
On-balance sheet	2.6	4.4	3.5	0.5	5.0	28.3	14.2	57.3
Off-balance sheet	0.4	0.5	1.5	0.1	1.7	6.8	2.0	17.1
	3.0	4.9	5.0	0.6	6.7	35.1	16.2	74.4
Sovereigns & agencies								
On-balance sheet	0.1	0.1	1.6	0.2	0.5	13.8	6.2	17.2
Off-balance sheet	–	–	–	–	–	–	–	0.2
	0.1	0.1	1.6	0.2	0.5	13.8	6.2	17.4
Banks								
On-balance sheet	0.4	0.9	0.7	0.2	1.4	5.9	1.9	16.4
Off-balance sheet	–	–	–	–	–	0.2	0.2	1.6
	0.4	0.9	0.7	0.2	1.4	6.1	2.1	18.0
Other financial institutions & corporates								
On-balance sheet	2.1	3.4	1.2	0.1	3.1	8.6	6.1	23.7
Off-balance sheet	0.4	0.5	1.5	0.1	1.7	6.6	1.8	15.3
	2.5	3.9	2.7	0.2	4.8	15.2	7.9	39.0

Redenomination risk

As the peripheral eurozone countries of Greece, Ireland, Italy, Portugal, Spain and Cyprus continue to exhibit distress, there is continuing possibility of a member state exiting from the eurozone. There remains no established legal framework within the European treaties to facilitate such an event. Consequently, it is not possible to predict accurately the course of events and legal consequences that would ensue.

At 30 June 2013, the group's in-country funding exposures for peripheral eurozone countries had been reduced compared with 31 December 2012. The group's current view remains that the most likely impact would be from a euro exit of Greece, Italy or Spain. The in-country funding exposures to these three countries are disclosed in the table below.

Interim Management Report: Business Review (continued)*In-country funding exposure as at 30 June 2013*

	Denominated in:			Total £bn
	Euros £bn	US Dollars £bn	Other Currencies £bn	
Greece				
In-country assets.....	1.1	0.1	–	1.2
In-country liabilities.....	(1.1)	(0.4)	–	(1.5)
Net in-country funding.....	–	(0.3)	–	(0.3)
Off balance sheet exposure/hedging	(0.2)	–	0.2	–
Italy				
In-country assets.....	0.6	–	–	0.6
In-country liabilities ¹	(1.2)	(0.1)	–	(1.3)
Net in-country funding.....	(0.6)	(0.1)	–	(0.7)
Off balance sheet exposure	0.4	–	–	0.4
Spain				
In-country assets.....	1.1	0.6	–	1.7
In-country liabilities.....	(0.9)	(0.1)	–	(1.0)
Net in-country funding.....	0.2	0.5	–	0.7
Off balance sheet exposure	0.5	0.1	–	0.6

1 In-country liabilities in Italy include liabilities issued under local law but booked outside the country.

Challenges and uncertainties

As a provider of banking and financial services, risk is at the core of the group's day-to-day activities. The group's activities involve, to varying degrees, the measurement, evaluation, acceptance and management of risk or a combination of risks. The group's risk management framework is fully detailed in the *Annual Report and Accounts 2012* in 'Report of the Directors: Risk' on pages 27 to 80.

Macro-economic and geopolitical

The group's earnings are affected by global and local economic and market conditions. The group's results are subject to the risk of loss from unfavourable political developments, currency fluctuations, social instability and changes in government policies on matters such as expropriation, authorisations, international ownership, interest-rate caps, foreign exchange transferability and tax in the jurisdictions in which it operates.

Emerging markets slowdown: World growth is slowing as demand in mature economies is subdued and credit availability and investment activity remain very limited. Growth in a number of emerging markets has decelerated during the first half of 2013 and advanced economies are depending on stronger trade growth in emerging markets to help them through tough economic times domestically.

A number of mature economies are continuing with austerity measures in order to reduce their deficits and public debt. This is expected to help resolve the sovereign and banking crisis in the medium term, but in the short term it is limiting growth, increasing unemployment and restricting taxation revenues severely. This is affecting the rest of the world through lower trade, reduced international financing as banks are deleveraging and potential disruption to capital flows.

Trade and capital flows may contract as a result of weaker economic growth in some emerging markets, banks deleveraging, the introduction of protectionist measures in certain markets, the emergence of geopolitical risks or increasing redenomination risk, which in turn might curtail profitability.

Increased geopolitical risk and changes in the energy market: Weak global economic growth is exacerbating the risk of protectionism and some countries may impose restrictions on trade or on capital flows to protect their domestic economies. Continuing political instability and unrest in the Middle East combined with developments in global energy extraction increase the risk of lower energy prices impacting the dynamics of natural gas markets and exposures. In emerging markets such as Turkey the population is increasingly critical of economic policies. Developments across all markets are closely watched to ensure the understanding is shared and appropriate action is taken as circumstances evolve. Actual conflict could put staff in harm's way and bring physical damage to assets.

Interim Management Report: Business Review (continued)

During the first half of 2013, the group increased its monitoring of the geopolitical and economic outlook, in particular in countries where it has material exposures and a physical presence. The internal credit risk ratings of sovereign counterparties are adjusted to reflect appetite and mitigate these risks as appropriate. These drive the group's appetite for conducting business in those countries.

Disorderly exit from quantitative easing: A prolonged period of low interest rates due to policy actions taken to address the economic crisis in mature economies still constrains the interest income the group earns from investing excess deposits through spread compression and low returns on assets. However, an excessively rapid exit from quantitative easing ('QE') and a swift rise in interest rates could prove to be as detrimental. Fears of such actions are already creating significant volatility in the markets. An increase in real interest rates while the economy remains weak could further limit the pace of recovery. A scaling back of QE could result in an adverse impact on global equity and bond prices, and create turbulence in global foreign exchange markets. The pace and timing of QE cessation could further exacerbate market instability.

Macro-prudential and regulatory

Financial services providers face increasingly stringent and costly regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, the conduct of business, the structure of operations and the integrity of financial services delivery. Increased government intervention and control over financial institutions, together with measures to reduce systemic risk, may significantly alter the competitive landscape. These measures may be introduced as formal requirements in a supra-equivalent manner and to differing timetables across regulatory regimes.

Regulatory developments affecting the business model and profitability: Several regulatory changes are likely to affect the group's activities, the group as a whole, the bank and some or all of its principal subsidiaries.

These changes include:

- the introduction of Basel III measures in the EU through CRD IV and uncertainty on both the timing and final form of implementation given that certain areas, such as the operation of capital buffers, have yet to be finalised and the technical guidance from the European Banking Authority ('EBA') across numerous areas has yet to be published;
- a new regulatory structure within the UK comprising the Financial Policy Committee ('FPC'), Prudential Regulatory Authority ('PRA') and Financial Conduct Authority ('FCA') and, in particular, the effects of the ability of the FPC to seek additional capital for lending to sectors perceived as higher risk;
- The proposed legislation in the UK to give effect to the recommendations of the ICB in relation to 'ringfencing' of the UK retail banking from wholesale banking activities, the structural separation of other activities envisaged in legislative proposals in the EU following the Liikanen Group recommendations; and
- changes in the regime for the operation of capital markets and changing standards for the conduct of business.

There is also continued risk of further changes to regulation relating to remuneration and other taxes.

As the development and implementation of many of these various regulations are in their early stages, it is not possible to estimate the effect, if any, on the group's operations. The group are ensuring that its capital and liquidity plans take into account the potential effects of these changes. Capital allocation and liquidity management disciplines have been expanded to incorporate future increased capital and liquidity requirements and drive appropriate risk management and mitigating actions.

Regulatory investigations and requirements relating to conduct of business: Financial service providers are at risk of regulatory sanctions or fines related to conduct of business and financial crime. The incidence of regulatory proceedings and other proceedings against financial service firms is increasing.

In the UK, the FCA has continued to increase its focus on 'conduct risk' including attention to sales processes and incentives, product and investment suitability and conduct of business concerns more generally. These measures are concerned principally, but not exclusively, with the conduct of business with retail customers. In conjunction with this focus, the UK regulators are making increasing use of existing and new powers of intervention and enforcement. This includes powers to consider past business undertaken and implement customer compensation and redress schemes or other, potentially significant, remedial work. Additionally, the UK and other regulators increasingly take actions in response to customer complaints either specific to an institution or more generally in relation to a particular product. This may lead from time to time to significant direct costs or liabilities (including in relation to mis-selling) and changes in the practices of such businesses which benefit customers at a cost to shareholders. Further, decisions taken in the UK by the

Interim Management Report: Business Review (continued)

Financial Ombudsman Service in relation to customer complaints could, if applied to a wider class or grouping of customers, have a material adverse effect on the operating results, financial condition and prospects of the group.

The group continues to be subject to a number of other regulatory proceedings, including investigations and reviews by various regulators and competition and enforcement authorities around the world, including in the UK, the US, Canada, the EU, Switzerland and Asia. These regulators and authorities are conducting investigations and reviews related to certain past submissions made by panel banks and the process for making submissions in connection with the setting of London interbank offered rates ('Libor'), European interbank offered rates ('Euribor') and other benchmark interest and foreign exchange rates. Further information can be found in Note 12 of this report.

Challenges to operations, governance and control

Regulatory commitments and consent orders including under the Deferred Prosecution Agreement: There is a risk that HSBC fails to meet the deadlines or is judged to have material gaps in the plans or implementation compared with the requirements of the DPA and other orders. Details of this risk are provided on page 28 of the *Annual Report and Accounts 2012*. If, during the term of the DPA, HSBC is determined to have breached the DPA, the DoJ or the New York County District Attorney's Office may prosecute HSBC in relation to the matters which are the subject of the DPA. The FCA may, in similar vein, take enforcement action against the Group as a result of a breach of the DPA or of the related undertakings to the FCA.

Data management: HSBC has received feedback from external stakeholders that it needs a clear data strategy to meet the increasingly frequent regulatory reporting requirements as well as other internal or external information demands. Regulators are evaluating the industry on its ability to provide accurate information and may use the industry-developed Data Maturity Model to assess financial services firms. A HSBC-level Data Strategy Board has been established to define a data strategy to ensure consistent data management across the Group. Vision, governance and quality frameworks of the data strategy have been completed and the policy and standards are due for completion by the third quarter of 2013.

Model risk: More stringent regulatory requirements governing the development of parameters applied to and controls around models used for measuring risk can give rise to changes, including increases in capital requirements. Furthermore, the changing external economic and legislative environment and changes in customer behaviour can lead to the assumptions made in the models becoming invalid.

These model risks can result in a potentially increased and volatile capital requirement. The group continues to address these risks through enhanced model development, independent review and model oversight to ensure its models remain "fit for purpose".

Regulation and supervision

The regulation and supervision of financial institutions continues to undergo significant change.

New regulatory bodies: In April 2013, the FSA was abolished and replaced with three new regulatory bodies. These new bodies comprise the Financial Policy Committee ('FPC') of the Bank of England, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

CRD IV: In June 2013, the European Commission published the final Regulation and Directive, known collectively as CRD IV, to give effect to the Basel III framework in the EU. The Regulation and Directive come into effect on 1 January 2014. However, the PRA are due to consult on the implementation in the UK in the second half of 2013, as the legislation contains significant scope for national discretion, particularly in respect of capital buffers. As such, uncertainty remains on the PRA's interpretation and the ultimate transposition of the rules in the UK. Furthermore, numerous technical guidance and implementation standards to be issued by the EBA are pending, lending further uncertainty on the precise requirements.

Independent Commission on Banking ('ICB'): In terms of the ICB, the UK Government responded to further comments and issued a revised Bill in February 2013. The Government intends to enact the legislation by the end of this parliament in 2015 and to have reforms in place by 2019.

Outlook

Signs of stabilisation in the eurozone are emerging but the political and economic challenges remain considerable. In the eurozone periphery growth is still absent, unemployment rates are high and debt projections continue to be revised up.

Interim Management Report: Business Review (continued)

Economic activity is expected to remain subdued. The group expects a contraction of GDP of 0.6 per cent in the eurozone in 2013.

In the first half of 2013 the UK economic data has improved. However, the recovery remains fragile as inflation continues to outpace wage growth meaning real-terms pay is falling, restraining consumer demand. The group expects the UK to grow by 0.8 per cent in 2013 which, while weak, is an improvement over 2012.

Performance and Business Review

Profit on ordinary activities before tax

	Half year to		
	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Retail Banking and Wealth Management	680	1	410
Commercial Banking	704	492	274
Global Banking and Markets	973	616	26
Global Private Banking ¹	66	260	220
Other/Intersegment	(150)	(612)	(683)
	2,273	757	247

¹ The Global Private Banking comparatives are on a reported basis and include the results of HSBC Private Banking (Suisse) SA

Retail Banking and Wealth Management

	Half year to		
	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net interest income	1,770	1,665	1,729
Net fee income	743	776	756
Net trading income	83	20	12
Other income	(84)	(57)	5
Net operating income before impairments and provisions	2,512	2,404	2,502
Loan impairment charges and credit risk provisions	(123)	(138)	(110)
Net operating income	2,389	2,266	2,392
Total operating expenses	(1,710)	(2,265)	(1,983)
Operating profit	679	1	409
Share of profit/(loss) of associates and joint ventures	1	—	1
Profit before tax	680	1	410

Overview

Retail Banking and Wealth Management reported a profit before tax of £680 million, significantly higher than in the first half of 2012 and 66 per cent higher than the second half of 2012. The increase reflected significantly lower operating expenses due to the combination of lower provisions relating to customer redress programmes and an accounting gain on changes to staff benefits recognised in 2013.

Retail Banking and Wealth Management continues to support the UK housing market, approving £7.1 billion of new mortgage lending to over 68,000 customers during the first half of 2013. This included £2 billion to over 16,000 first time buyers. The loan to value ratio on new lending was 59 per cent compared with the ratio of average mortgage portfolio 51 per cent. In Turkey, the business continued with its strategy of targeting the mass affluent market and growing its credit card business.

Financial performance

Net interest income increased by £105 million or 6 per cent. The rise in RBWM was driven by higher average lending balances, principally residential mortgages in the UK and to a lesser extent in France. In addition, lending margins improved on new business in the UK.

Net fee income decreased by £33 million or 4 per cent primarily in the UK due to lower general insurance revenues and a higher level of fees paid under partnership agreements. This was partly offset by growth in card revenue in Turkey.

Interim Management Report: Business Review (continued)

Net trading income increased by £63 million, primarily due to favourable fair value adjustments on non-qualifying hedges on the French mortgage portfolio, as long-term interest rates rose. In addition, there were favourable market movements on derivatives used as economic hedges in the insurance business in France.

Other income decreased by £27 million or 47 per cent. Lower levels of net earned premiums and higher levels of claims on credit protection and term-lending policies more than offset the increase in net income from financial assets designated at fair value. In addition, the offset of the net trading gain on economic hedges noted in '*Net trading income*' also contributed to lower '*Other income*'.

Loan impairment charges and other credit risk provisions decreased by £15 million or 11 per cent. An increase in loan impairment charges in Turkey, reflecting growth in credit card volumes, was more than offset by a fall in the UK as a result of improved delinquency rates and recoveries of previously written off debt.

Total operating expenses decreased by £555 million or 25 per cent compared to the first half of 2012. The fall was due primarily to lower UK Customer redress provisions of £267 million (H1 2012: £637 million) and the recognition of the accounting gain of £123 million arising on the change in UK employee ill-health benefits. In spite of additional costs incurred in respect of new regulations and implementation of global standards, excluding the items noted above, operating expenses were 4 per cent lower than the first half of 2012. This was achieved through robust cost control and the benefits delivered by the re-engineering of processes.

Commercial Banking

	Half year to		
	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net interest income	1,062	1,019	1,018
Net fee income	547	513	534
Net trading income	20	11	15
Other income	18	36	34
Net operating income before impairments and provisions	1,647	1,579	1,601
Loan impairment charges and credit risk provisions	(323)	(262)	(437)
Net operating income	1,324	1,317	1,164
Total operating expenses	(620)	(825)	(890)
Operating profit	704	492	274
Share of (loss) of associates and joint ventures	—	—	—
Profit before tax	704	492	274

Overview

Commercial Banking reported a profit before tax of £704 million, 43 per cent higher than the first half of 2012 and £430 million higher than the second half of 2012. The performance, excluding the impact of customer redress provisions and the accounting gain on staff benefits, reflected higher revenue growth in the home and priority markets and reduced costs delivered through the sustainable saves programme.

Following the success of the 2012 International SME fund, Commercial Banking launched a further £5 billion fund supporting UK businesses that trade or aspire to trade internationally with approved lending of £2.4 billion in the first half of 2013. Similarly, in France, the business launched an SME fund of £0.8 billion targeted at international trade customers, with approved lending of £0.6 billion in the first half of 2013.

Financial performance

Net interest income increased by £43 million or 4 per cent, mainly in the UK due to growth in term lending balances and change in product mix to higher margin business.

Net fee income increased by £34 million or 7 per cent, due to an increase in lending fees in the UK and higher fee income from Credit and Lending businesses in Germany. There was also growth in Payments and Cash Management fees.

Net trading income was £9 million higher than the first half of 2012, mainly due to an increase in the fair value of derivative contracts held within insurance unit-linked funds. There is a corresponding offset reported in '*Other income*'.

Other income was £18 million lower than the first half of 2012. The fall reflected the loss arising on the sale of debt in Spain and write-down of an equity investment. This was also impacted by the offset on the gains on derivatives reported within '*Net trading income*'.

Interim Management Report: Business Review (continued)

Loan impairment charges and other credit risk provisions increased by £61 million or 23 per cent compared with the first half of 2012, mainly due to higher individually assessed provisions for a small number of specific customers in the UK and Spain.

Total operating expenses decreased by £205 million or 25 per cent compared to the first half of 2012. The fall was due primarily to the absence of UK customer redress provisions in the first half of 2013 and the recognition of the accounting gain of £104 million arising on the change in UK employee ill-health benefits. Excluding these items, operating expenses were 3 per cent lower than the first half of 2012. This reflected the benefits being delivered through re-engineering of the business processes.

Global Banking and Markets

	Half year to		
	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net interest income ¹	509	464	412
Net fee income	302	280	336
Net trading income	2,420	1,182	372
Other income	(555)	574	399
Net operating income before impairments and provisions	2,676	2,500	1,519
Loan impairment charges and credit risk provisions	(97)	(269)	(11)
Net operating income	2,579	2,231	1,508
Total operating expenses	(1,606)	(1,612)	(1,481)
Operating profit	973	619	27
Share of profit of associates and joint ventures	—	(3)	(1)
Profit before tax	973	616	26

¹ The bank's Balance Sheet Management business, reported within Global Banking and Markets, provides funding to the trading businesses. To report Global Banking and Markets trading income on a fully funded basis, net interest income and net trading income are grossed up to reflect internal funding transactions prior to their elimination in the Inter Segment column on Page 16.

Overview

Global Banking and Markets reported a pre-tax profit of £973 million, £357 million and £947 million higher than the first and second halves of 2012 respectively. The profit before tax increase was due to a favourable debit valuation adjustment on derivative contracts, lower adverse fair value movements on structured liabilities and revenue growth within the Financing and Equity Capital Markets, Foreign Exchange and Credit businesses. These movements were partly offset by lower revenue from Rates and Balance Sheet Management.

In GB&M, Payments and Cash Management and Foreign Exchange businesses launched 'Global Disbursements' and 'FlexRate Payway', which provide clients with the ability to make multi-currency payments more efficiently with foreign exchange rates guaranteed for an agreed period. In Credit, primary issuances increased reflecting demand for financing from debt capital markets resulting in leading positions and increased market share in both the Euro and Sterling markets.

Financial performance

Net interest income increased by £45 million or 10 per cent compared to the first half of 2012, from higher Credit and Lending revenue in the UK due to improved margins as prices increased and funding costs reduced.

Net fee income was £22 million or 8 per cent higher compared to the first half of 2012, due to higher Financing and Equity Capital Markets revenues, most notably in the priority market of Germany.

Net trading income was £1,238 million higher than the first half of 2012. This was mainly due to favourable foreign exchange movements on trading assets held as economic hedges of foreign currency debt designated at fair value, compared with adverse movements in the first half of 2012. A corresponding offset is reported within 'Other Income'.

In Global Markets, revenue increased as the result of a favourable debit valuation adjustment on derivative contracts as own credit default swap spreads widened. In addition, Foreign Exchange income benefited from higher client volumes, which in part benefited from improved electronic pricing and distribution capabilities. An improvement in legacy asset prices resulted in reserve releases, compared with charges in the first half of 2012, along with revaluation gains in the Legacy Credit portfolio. These factors were partly offset by lower Rates revenue as the prior year benefited from tightening spreads following the ECB's announcement of the LTRO. Lower adverse fair value movements from own credit spreads on structured liabilities partly offset the decline in Rates revenue.

Interim Management Report: Business Review (continued)

Other income decreased by £1,129 million which includes the £1 billion offset of the favourable foreign exchange movements on trading assets held as economic hedges noted in '*Net trading income*' above. Lower gains from the disposal of available-for-sale debt securities in Balance Sheet Management were partly offset by higher disposal gains in Principal Investments. Other income also benefited from the non-recurrence of losses on syndicated loan sales in the Credit and Lending business.

Loan impairment charges and other credit risk provisions decreased by £172 million or 64 per cent. Other credit risk provisions declined following a release of impairments against available-for-sale asset-backed securities as underlying asset prices improved compared with a charge in the first half of 2012. Loan impairment charges were broadly in line with the comparable period in 2012.

Total operating expenses were slightly below those for the first half of 2012. Excluding the £53 million accounting gain relating to the change in the basis of delivering ill-health benefits and non-recurrence of customer redress provisions of £75 million recognised in the first half of 2012, operating expenses were 8 per cent higher. A reduction in performance costs reflecting lower revenues (excluding the DVA) were more than offset by higher litigation costs. The business actively sought to identify cost savings by simplifying its business model in the first half of 2013.

Global Private Banking

	Half year to				
	Continuing Operations			Reported	
	30 June 2013	30 June 2012	31 December 2012	30 June 2012	31 December 2012
	£m	£m	£m	£m	£m
Net interest income	104	113	99	347	250
Net fee income	55	55	56	340	243
Net trading income	7	1	6	156	98
Other income	2	6	(3)	11	(3)
Net operating income before impairments and provisions	168	175	158	854	588
Loan impairment charges and credit risk provisions	(7)	(5)	(14)	(4)	(14)
Net operating income	161	170	144	850	574
Total operating expenses	(95)	(113)	(100)	(589)	(354)
Operating profit	66	57	44	261	220
Share of (loss) of associates and joint ventures	—	(1)	—	(1)	—
Profit before tax	66	56	44	260	220

Overview

Global Private Banking reported profit before tax in the first half of 2013 of £66 million, 75 per cent and 70 per cent lower than the reported profits in the first and second halves of 2012 respectively. On a continuing operations basis, which excludes the contribution from PBSU sold to HSBC Holdings plc in November 2012, profit before tax in the first half of 2013 was 18 per cent and 50 per cent higher than the first and second halves of 2012 respectively.

The commentary that follows is on a continuing operations basis.

Financial performance

All income lines were broadly in line with the first half of 2012.

Total operating expenses decreased by £18 million or 16 per cent compared with the first half of 2012, largely due to the non-recurrence of restructuring costs incurred in 2012 to improve operational efficiencies. The improved efficiencies resulted in a reduction in average staff numbers in the UK.

Interim Management Report: Business Review (continued)

Other

	Half year to		
	30 June	30 June	31 December
	2013	2012	2012
	£m	£m	£m
Net interest (expense)/income	(28)	(45)	2
Net fee income/(expense)	1	4	(1)
Net trading (expense)/income	(1)	(2)	(7)
Change in credit spread on long-term debt	(14)	(491)	(564)
Other income	2	59	59
Net operating (expense)/income	(40)	(475)	(511)
Loan impairment charges and credit risk provisions	—	—	—
Net operating (expense)/income	(40)	(475)	(511)
Total operating expenses	(110)	(137)	(173)
Operating (loss)/profit	(150)	(612)	(684)
Share of loss of associates and joint ventures.....	—	—	1
(Loss)/profit before tax	(150)	(612)	(683)

Reported loss before tax in Other was £150 million, compared with a loss of £612 million in the first half of 2012 and a loss of £683 million in the second half of 2012.

Other includes:

- the change in own credit spread on long-term debt which resulted in a £14 million loss in the first half of 2013 compared with a loss of £491 million for the first half of 2012 and a loss of £564 million in the second half of 2012;
- restructuring costs of £11 million in the first half of 2013 and £43 million and £14 million in the first and second halves of 2012 respectively.

Profit before tax – by country

	Half year to				
	Continuing Operations			Reported	
	30 June	30 June	31 December	30 June	31 December
	2013	2012	2012	2012	2012
	£m	£m	£m	£m	£m
UK	1,907	48	(264)	39	(264)
France	315	191	186	191	186
Germany	108	99	86	99	86
Turkey	84	93	59	93	59
Malta	45	44	34	44	34
Switzerland	1	—	—	213	176
Other	(187)	78	(30)	78	(30)
Profit before tax	2,273	553	71	757	247

Overall segmental analysis

	Retail Banking and Wealth Management £m	Commercial Banking £m	Global Banking and Markets £m	Global Private Banking £m	Other £m	Inter Segment £m	Total £m
Net Operating Income							
Half year to:							
30 June 2013.....	2,389	1,324	2,579	161	(40)	(38)	6,375
30 June 2012	2,266	1,317	2,231	850	(475)	(50)	6,139
31 December 2012	2,392	1,164	1,508	574	(511)	(23)	5,104
Profit before tax							
Half year to:							
30 June 2013.....	680	704	973	66	(150)	—	2,273
30 June 2012	1	492	616	260	(612)	—	757
31 December 2012	410	274	26	220	(683)	—	247

Statement of Directors' Responsibilities

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the group and bank have the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the last annual report that could do so.

J W Leng (Chairman); B Robertson (Chief Executive); P Antika (Non-Executive Director);
 S N Cooper (Non-Executive Director); Dame Denise Holt (Independent Non-Executive Director);
 S W Leathes (Independent Non-Executive Director); Dame Mary Marsh (Independent Non-Executive Director);
 R E S Martin (Independent Non-Executive Director); T B Moulouguet (Independent Non-Executive Director);
 P M Shawyer (Independent Non-Executive Director); A P Simoes (Deputy Chief Executive and Head of UK Bank);
 A M Thomson (Independent Non-Executive Director); J F Trueman (Independent Non-Executive Director).

On behalf of the Board
 B Robertson, *Chief Executive*

5 August 2013

Condensed Financial Statements (unaudited)

Consolidated income statement for the half-year to 30 June 2013

	30 June 2013	30 June 2012		
		Continuing operations	Discontinued operations	Total
Notes	£m	£m	£m	£m
Interest income	5,030	5,196	279	5,475
Interest expense	(1,593)	(1,980)	(45)	(2,025)
Net interest income	3,437	3,216	234	3,450
Fee income	2,386	2,276	321	2,597
Fee expense	(738)	(648)	(36)	(684)
Net fee income	1,648	1,628	285	1,913
Trading income excluding net interest income	2,136	743	151	894
Net interest income on trading activities	382	476	4	480
Net trading income	2,518	1,219	155	1,374
Net expense from financial instruments designated at fair value	(512)	(61)	–	(61)
Gains less losses from financial investments	123	294	1	295
Dividend income	9	8	1	9
Net earned insurance premiums	1,132	1,180	–	1,180
Other operating income	22	23	3	26
Total operating income	8,377	7,507	679	8,186
Net insurance claims incurred and movement in liabilities to policyholders	(1,452)	(1,373)	–	(1,373)
Net operating income before loan impairment charges and other credit risk provisions	6,925	6,134	679	6,813
Loan impairment charges and other credit risk provisions	4 (550)	(675)	1	(674)
Net operating income	6,375	5,459	680	6,139
Employee compensation and benefits	5 (1,842)	(2,373)	(276)	(2,649)
General and administrative expenses	(1,995)	(2,284)	(192)	(2,476)
Depreciation and impairment of property, plant and equipment	(163)	(160)	(8)	(168)
Amortisation and impairment of intangible assets	(103)	(85)	–	(85)
Total operating expenses	(4,103)	(4,902)	(476)	(5,378)
Operating profit	2,272	557	204	761
Share of profit/(loss) in associates and joint ventures	1	(4)	–	(4)
Profit before tax	2,273	553	204	757
Tax (expense)/credit	(567)	63	(34)	29
Profit for the period	1,706	616	170	786
Profit attributable to shareholders of the parent company	1,681	592	170	762
Profit attributable to non-controlling interests	25	24	–	24

Condensed Financial Statements (unaudited) (continued)**Consolidated statement of comprehensive income for the half-year to 30 June 2013**

	30 June 2013	30 June 2012		
		Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m
Profit for the period	1,706	616	170	786
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss when specific conditions are met				
Available-for-sale investments:				
– fair value gains	300	1,106	62	1,168
– fair value losses/(gains) transferred to the income statement on disposal	107	(286)	55	(231)
– amounts transferred to the income statement in respect of impairment losses ..	123	284	–	284
– income taxes	23	(30)	(15)	(45)
Cash flow hedges:				
– fair value (losses)/gains	(156)	129	7	136
– fair value (gains) transferred to the income statement	(149)	(73)	(10)	(83)
– income taxes	88	(13)	1	(12)
Exchange differences and other	522	(265)	(150)	(415)
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of the defined benefit asset				
– before income taxes	(1,095)	(98)	–	(98)
– income taxes	254	22	–	22
Other comprehensive income for the period, net of tax	17	776	(50)	726
Total comprehensive income for the period	1,723	1,392	120	1,512
Total comprehensive income for the period attributable to:				
– shareholders of the parent company	1,683	1,384	120	1,504
– non-controlling interests	40	8	–	8
	1,723	1,392	120	1,512

Condensed Financial Statements (unaudited) (continued)**Consolidated statement of financial position at 30 June 2013**

		30 June 2013	31 December 2012
	<i>Notes</i>	£m	£m
ASSETS			
Cash and balances at central banks		59,438	51,613
Items in the course of collection from other banks		2,353	1,961
Trading assets	6	188,724	161,516
Financial assets designated at fair value	6	16,293	15,387
Derivatives	6,7	155,723	177,808
Loans and advances to banks	4,6	51,610	32,286
Loans and advances to customers	4,6	282,498	282,685
Financial investments	6	77,928	71,265
Other assets		6,757	6,366
Current tax assets		264	200
Prepayments and accrued income		2,627	2,584
Interests in associates and joint ventures		74	67
Goodwill and intangible assets		8,094	7,826
Property, plant and equipment		2,043	2,024
Deferred tax assets		237	274
Retirement benefit assets		929	1,619
Total assets		855,592	815,481
LIABILITIES AND EQUITY			
Liabilities			
Deposits by banks	6	44,596	39,571
Customer accounts	6	355,373	324,886
Items in the course of transmission to other banks		1,361	1,017
Trading liabilities	6	150,252	122,896
Financial liabilities designated at fair value	6	34,466	32,918
Derivatives	6	156,438	181,095
Debt securities in issue	6	38,895	40,358
Other liabilities		6,717	6,846
Current tax liabilities		198	122
Liabilities under insurance contracts issued		19,074	17,913
Accruals and deferred income		2,859	3,250
Provisions	8	1,798	1,641
Deferred tax liabilities		26	99
Retirement benefit liabilities		329	319
Subordinated liabilities	6	10,751	10,350
Total liabilities		823,133	783,281
Equity			
Called up share capital		797	797
Share premium account		20,025	20,025
Other reserves		1,231	394
Retained earnings		9,858	10,459
Total equity attributable to shareholders of the parent company		31,911	31,675
Non-controlling interests		548	525
Total equity		32,459	32,200
Total equity and liabilities		855,592	815,481

Condensed Financial Statements (unaudited) (continued)**Consolidated statement of cash flows for the half-year to 30 June 2013**

	30 June 2013 £m	30 June 2012 £m
Cash flows from operating activities		
Profit before tax	2,273	757
Adjustments for:		
– non-cash items included in profit before tax	1,208	2,341
– change in operating assets	(9,307)	(21,994)
– change in operating liabilities	34,682	27,216
– elimination of exchange differences ¹	(6,421)	3,312
– net gain from investing activities	(138)	(315)
– share of (profit)/loss in associates and joint ventures	(1)	4
– contributions paid to defined benefit plans	(175)	(95)
– tax paid	(124)	(206)
Net cash generated from operating activities	<u>21,997</u>	<u>11,020</u>
Cash flows from investing activities		
Purchase of financial investments	(17,628)	(21,129)
Proceeds from the sale and maturity of financial investments	15,340	30,243
Purchase of property, plant and equipment	(162)	(162)
Proceeds from the sale of property, plant and equipment	14	34
Purchase of intangible assets	(92)	(117)
Net cash inflow from acquisition of businesses	305	-
Proceeds from disposal of subsidiaries	8	-
Net cash (used in)/generated from investing activities	<u>(2,215)</u>	<u>8,869</u>
Cash flows from financing activities		
Subordinated liabilities issued, net of perpetual subordinated debt classified as equity repaid	-	350
Subordinated loan capital repaid	-	(350)
Net cash outflow from increase in stake of subsidiaries	-	(2)
Dividends paid to shareholders	(1,400)	(200)
Dividends paid to non-controlling interests	(16)	(15)
Net cash used in financing activities	<u>(1,416)</u>	<u>(217)</u>
Net increase in cash and cash equivalents	18,366	19,672
Cash and cash equivalents at 1 January	98,158	108,440
Effect of exchange rate changes on cash and cash equivalents	3,336	(2,560)
Cash and cash equivalents at 30 June	<u>119,860</u>	<u>125,552</u>

¹ Adjustment to bring changes between opening and closing statement of financial position amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.

Consolidated statement of changes in equity for the half-year to 30 June 2013

	Half year to 30 June 2013							
	Other reserves						Non-controlling interests £m	Total equity £m
	Called up share capital £m	Share premium £m	Retained earnings £m	Available-for-sale fair value reserve £m	Cash flow hedging reserve £m	Foreign exchange reserve £m	Total share-holders' equity £m	
At 1 January 2013	797	20,025	10,459	(131)	259	266	31,675	32,200
Profit for the period	–	–	1,681	–	–	–	1,681	1,706
Other comprehensive income (net of tax)	–	–	(841)	557	(217)	503	2	17
Available-for-sale investments	–	–	–	557	–	–	557	553
Cash flow hedges	–	–	–	–	(217)	–	(217)	(217)
Actuarial (losses)/gains on defined benefit plans	–	–	(841)	–	–	–	(841)	(841)
Exchange differences and other	–	–	–	–	–	503	503	522
Total comprehensive income for the period	–	–	840	557	(217)	503	1,683	1,723
Dividends to shareholders	–	–	(1,400)	–	–	–	(1,400)	(1,416)
Net impact of equity-settled share-based payments	–	–	(125)	–	–	–	(125)	(125)
Other movements	–	–	–	–	–	–	–	–
Acquisition and disposal of subsidiaries/businesses	–	–	85	(1)	(5)	–	79	78
Tax on items taken directly to equity	–	–	(1)	–	–	–	(1)	(1)
At 30 June 2013	797	20,025	9,858	425	37	769	31,911	32,459

Condensed Financial Statements (unaudited) (continued)

	Half year to 30 June 2012								
	Other reserves						Total share-holders' equity £m	Non-controlling interests £m	Total equity £m
	Called up share capital £m	Share premium £m	Retained earnings £m	Available-for-sale fair value reserve £m	Cash flow hedging reserve £m	Foreign exchange reserve £m			
At 1 January 2012	797	20,025	10,805	(2,793)	236	2,020	31,090	514	31,604
Profit for the period	–	–	762	–	–	–	762	24	786
Other comprehensive income (net of tax)	–	–	(70)	1,170	41	(399)	742	(16)	726
Available-for-sale investments	–	–	–	1,170	–	–	1,170	6	1,176
Cash flow hedges	–	–	–	–	41	–	41	–	41
Actuarial gains/(losses) on defined benefit plans	–	–	(70)	–	–	–	(70)	(6)	(76)
Exchange differences and other	–	–	–	–	–	(399)	(399)	(16)	(415)
Total comprehensive income for the period	–	–	692	1,170	41	(399)	1,504	8	1,512
Dividends to shareholders	–	–	(200)	–	–	–	(200)	(15)	(215)
Net impact of equity-settled share-based payments.....	–	–	(52)	–	–	–	(52)	–	(52)
Repayment of capital securities ¹	–	–	5	–	–	–	5	–	5
Other movements	–	–	–	–	–	–	–	–	–
Tax on items taken directly to equity	–	–	–	–	–	–	–	–	–
At 30 June 2012	797	20,025	11,250	(1,623)	277	1,621	32,347	507	32,854

Notes on the Condensed Financial Statements (unaudited)

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The interim consolidated financial statements of the group have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU').

The consolidated financial statements of the group at 31 December 2012 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2012, there were no unendorsed standards effective for the year ended 31 December 2012 affecting the consolidated financial statements at that date, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the group. Accordingly, the group's financial statements for the year ended 31 December 2012 were prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the period ended 30 June 2013

On 1 January 2013, the group adopted the following significant new standards and revisions to standards for which the financial effect is insignificant to these interim consolidated financial statements:

- IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and amendments to IFRS 10, IFRS 11 and IFRS 12 'Transition Guidance'. IFRS 10 and 11 are required to be applied retrospectively.
- Under IFRS 10, there is one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This replaces the approach which applied to previous financial statements which emphasised legal control or exposure to risks and rewards, depending on the nature of the entity. The group controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- IFRS 11 places more focus on the investors' rights and obligations than on the structure of the arrangement when determining the type of joint arrangement in which the group is involved, unlike the previous approach, and introduces the concept of a joint operation.
- IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including for unconsolidated structured entities.
- IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and introduces new requirements for disclosure of fair value measurements. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application. New disclosures and enhancements to existing disclosures are provided in Note 6.
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires disclosure of the effect or potential effects of netting arrangements on an entity's financial position. The amendment requires disclosure of recognised financial instruments that are subject to enforceable master netting arrangements or similar agreements. The amendments have been applied retrospectively. New disclosures are provided in Note 7.
- Amendments to IAS 19 'Employee Benefits' ('IAS 19 revised'). IAS 19 revised is required to be applied retrospectively. IAS 19 revised replaces the interest cost on the plan liability and expected return on plan assets with a finance cost comprising the net interest on the net defined benefit liability or asset. This finance cost is determined by applying to the net defined benefit liability or asset the same discount rate used to measure the defined benefit obligation. The difference between the actual return on plan assets and the return included in the finance cost component reflected in the income statement is presented in other comprehensive income. The effect of this change is to increase or decrease the pension expense by the

Notes on the Condensed Financial Statements (unaudited) (continued)

difference between the current expected return on plan assets and the return calculated by applying the relevant discount rate.

At 30 June 2013, there were no unendorsed standards effective for the period ended 30 June 2013 affecting these interim consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the group.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

During the period ended 30 June 2013, the group adopted an interpretation and amendments to standards which had an insignificant effect on these interim consolidated financial statements.

(b) Comparative information

These interim consolidated financial statements include comparative information as required by IAS 34 and the UK Disclosure and Transparency Rules.

(c) Use of estimates and assumptions

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that the group's critical accounting policies where judgement is necessarily applied are those which relate to impairment of loans and advances, goodwill impairment, the valuation of financial instruments, the impairment of available-for-sale financial assets and pensions. These critical accounting policies are described on pages 125 to 128 of the *Annual Report and Accounts 2012*.

(d) Consolidation

The interim consolidated financial statements of the group comprise the condensed financial statements of HSBC Bank plc and its subsidiaries. The method adopted by the group to consolidate its subsidiaries is described in '*Standards adopted during the period ended 30 June 2013*' above.

(e) Operating Segments

In the 2012 Annual Report and Accounts, the group's segments reported under IFRS 8 Operating Segments were: UK Retail Banking, Continental Europe Retail Banking, Global Banking and Markets, Global Private Banking and Other. Following the sale of HSBC Private Banking (Suisse) SA in November 2012, which made up the majority of Global Private Banking, and a reorganisation of reporting lines, operating segments were reviewed for all reporting periods from 1 January 2013.

The group has revised its operating segments, to: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, Global Private Banking and Other. Global Private Banking includes HSBC Private Bank (UK) Ltd and Private Banking businesses in France.

The revised segments are consistent with those reported to the group's Executive Committee, the identified Chief Operating Decision Maker ('CODM') under IFRS 8.

(f) Future accounting developments

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is continuing to work on projects on insurance, revenue recognition and lease accounting which will represent significant changes to accounting requirements in the future.

Amendments issued by the IASB and endorsed by the EU

In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

Notes on the Condensed Financial Statements (unaudited) (continued)

Based on the assessment performed to date, HSBC do not expect the amendments to IAS 32 to have a material effect on HSBC's financial statements.

Amendments issued by the IASB but not endorsed by the EU

Standards applicable in 2015

In November 2009, the IASB issued IFRS 9 'Financial Instruments' which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement.'

The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets and general hedge accounting. Macro hedging is not included in the IFRS 9 project and will be addressed separately.

Following the IASB's decision in December 2011 to defer the effective date, the existing version of IFRS 9 is effective for annual periods beginning on or after 1 January 2015. IFRS 9 is required to be applied retrospectively but prior periods need not be restated. However, as a result of the IASB's decision that all phases of IFRS 9 will be applied from the same effective date and the fact that it now seems unlikely that the final standard will be issued in 2013, HSBC expect that the mandatory effective date of IFRS 9 will be deferred at least until 1 January 2016. Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of the existing IFRS 9 as at the date of the publication of these financial statements.

HSBC is currently assessing the impact of the general hedge accounting requirements.

(g) Changes in composition of the group

There were no material changes in the composition of the group in the period.

2 Accounting policies

The accounting policies adopted by the group for these interim consolidated financial statements are consistent with those described on pages 108 to 125 of the *Annual Report and Accounts 2012*, except as discussed in Note 1, 'Basis of preparation'. The methods of computation applied by the group for these interim consolidated financial statements are consistent with those applied for the *Annual Report and Accounts 2012*.

3 Dividends

HSBC Bank plc dividends to shareholders of the parent company were as follows:

Dividends declared on ordinary shares

	30 June 2013		Half-year to 30 June 2012		31 December 2012	
	£ per share	Total £m	£ per share	Total £m	£ per share	Total £m
In respect of previous year:						
– third (2012: second) interim dividend	1.76	1,400	0.25	200	–	–
In respect of current year:						
– first interim dividend	–	–	–	–	0.72	575
– second interim dividend	–	–	–	–	2.51	2,000
	1.76	1,400	0.25	200	3.23	2,575

Dividends on preference shares classified as equity

In the first half of 2013 no dividend was paid on the HSBC Bank plc non-cumulative third dollar preference shares (first half of 2012: no dividend; second half of 2012: £1.17 per share, totalling £41 million).

Notes on the Condensed Financial Statements (unaudited) (continued)**4 Loan impairment charges and other credit risk provisions**

	Half-year to	
	30 June 2013	30 June 2012
	£m	£m
Total loans and advances		
– new allowances net of allowance releases	788	659
– recoveries of amounts previously written off	(177)	(101)
	611	558
Impairment charges on debt securities and other credit risk provisions	(61)	116
	550	674

Movement in impairment allowances on total loans and advances

	Individually assessed £m	Collectively assessed £m	Total £m
At 1 January 2013	2,351	919	3,270
Amounts written off	(340)	(258)	(598)
Recoveries of amounts previously written off	14	163	177
Charge to income statement	462	149	611
Foreign exchange and other movements	52	5	57
At 30 June 2013	2,539	978	3,517
At 1 January 2012	2,461	920	3,381
Amounts written off	(436)	(256)	(692)
Recoveries of amounts previously written off	14	87	101
Charge to income statement	411	147	558
Foreign exchange and other movements	(58)	20	(38)
At 30 June 2012	2,392	918	3,310

5 Post-employment benefits

Included within 'Employee compensation and benefits' are components of net periodic benefit cost related to the group's defined benefit pension plans, as follows:

	Half-year to	
	30 June 2013	30 June 2012
	£m	£m
Current service cost	92	97
Net interest income on the net defined benefit asset	(40)	(23)
Other (gains)/losses	(279)	2
Total (gain)/expense	(227)	76

In June 2013, following consultation on various employee benefit proposals, the group announced to employees in the UK that future service accrual for defined benefit members would cease from 1 July 2015. Under the proposals, defined benefit pensions based on service to 30 June 2013 will continue to be linked to final salary on retirement (underpinned by increases in CPI) but all active members of the Defined Benefit Section will become members of the Defined Contribution Section from 1 July 2015. As part of these amendments, the HSBC Bank (UK) Pension Scheme ('the Scheme') will cease to deliver part-discretionary ill-health benefits to certain employees and these benefits will, instead, be purely formulaic, consistent with other UK employees, and covered via insurance policies. This results in a reduction in the defined benefit obligation of the Scheme and a corresponding gain of £280 million, recorded in the income statement as a reduction to total employee compensation and benefits.

Notes on the Condensed Financial Statements (unaudited) (continued)

At 30 June each year, the group revalues all plan assets to current market prices. The group also reviews the assumptions used to calculate the defined benefit obligations (the liabilities of the plans) and updates the carrying amount of the obligations if there have been significant changes as a consequence of changes in assumptions.

Average yields of high quality (AA rated or equivalent) debt instruments in the UK remained broadly consistent during the first half of 2013, but there was a significant increase in Retail Price Index inflation expectations. These and other actuarial assumptions resulted in a £1.1 billion increase in the defined benefit obligation for the Scheme. This was recognised in the statement of comprehensive income as an actuarial loss.

6 Fair values of financial instruments

Fair values are determined in accordance with the methodology set out in the *Annual Report and Accounts 2012* in the accounting policies on pages 108 to 128, and in Note 32 and Note 33 on pages 181 to 190.

Bases of valuing financial assets and liabilities measured at fair value

	Valuation techniques			Total £m
	Level 1 quoted market price £m	Level 2 using observable inputs £m	Level 3 with significant unobservable inputs £m	
At 30 June 2013				
Assets				
Trading assets	123,335	64,998	391	188,724
Financial assets designated at fair value	10,473	5,820	–	16,293
Derivatives	244	154,275	1,204	155,723
Financial investments: available-for-sale	55,587	20,625	1,716	77,928
Liabilities				
Trading liabilities	80,860	67,952	1,440	150,252
Financial liabilities designated at fair value	3,861	30,605	–	34,466
Derivatives	149	154,780	1,509	156,438

	Valuation techniques			Total £m
	Level 1	Level 2	Level 3	
	quoted market price £m	using observable inputs £m	with significant unobservable inputs £m	
At 31 December 2012				
Assets				
Trading assets	86,373	74,789	354	161,516
Financial assets designated at fair value	9,501	5,886	–	15,387
Derivatives	193	176,455	1,160	177,808
Financial investments: available-for-sale	49,035	20,159	2,071	71,265
Liabilities				
Trading liabilities	57,282	64,097	1,517	122,896
Financial liabilities desingated at fair value	3,767	29,151	–	32,918
Derivatives	189	179,598	1,308	181,095

Level 3 trading assets include various asset-backed securities, leveraged loans underwritten by the group and corporate and mortgage loans held for securitisation.

Level 3 derivative products include certain types of correlation products, particularly equity and foreign exchange basket options and foreign exchange-interest rate hybrid transactions, long-dated option transactions, particularly equity options, interest rate and foreign exchange options and certain credit derivatives, including tranching credit default swap transactions and credit derivatives executed with certain monoline insurers.

Level 3 available-for-sale financial investments and financial assets designated at fair value include holdings of private equity and asset-backed securities.

Notes on the Condensed Financial Statements (unaudited) (continued)

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

The group

	Assets				Liabilities		
	Available-for-sale £m	Held for trading £m	Designated at fair value through profit or loss £m	Derivatives £m	Held for trading £m	Designated at fair value through profit or loss £m	Derivatives £m
At 30 June 2013							
Private equity investments	607	55	–	–	–	–	–
Asset-backed securities	1,052	164	–	–	–	–	–
Structured notes	–	–	–	–	1,440	–	–
Derivatives	–	–	–	1,204	–	–	1,509
Other portfolios	57	172	–	–	–	–	–
	1,716	391	–	1,204	1,440	–	1,509
At 31 December 2012							
Private equity investments	452	51	–	–	–	–	–
Asset-backed securities	1,409	137	–	–	–	–	–
Leverage finance	–	–	–	–	–	–	7
Structured notes	–	5	–	–	1,515	–	–
Derivatives	–	–	–	1,160	2	–	1,301
Other portfolios	210	161	–	–	–	–	–
	2,071	354	–	1,160	1,517	–	1,308

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value		Valuation technique	Key unobservable inputs	Range of inputs	
	Assets £m	Liabilities £m			Lower	Higher
At 30 June 2013						
Private equity including strategic investments	662	–	See notes below	See notes below	n/a	n/a
Asset-backed securities	1,216	–				
CLO/CDO ¹	666	–	Market proxy	Bid quotes	–	101
Other ABSs	550	–				
Structured notes	–	1,440				
Equity-linked notes	–	722	Model – Option model	Equity volatility	7%	81%
Fund-linked notes	–	324	Model – Option model	Equity correlation	0.12	0.83
FX-linked notes	–	280	Model – Option model	Fund volatility	21%	23%
Other	–	114	Model – Option model	FX volatility	3%	24%
Derivatives	1,204	1,509				
Interest rate derivatives:						
– securitisation swaps	137	828	Model – Discounted cash flow ...	Prepayment rate	2%	25%
– long-dated swaptions	351	190	Model – Option model	IR volatility	4%	28%
– other	151	91				
Foreign exchange derivatives:						
– Foreign exchange options	141	85	Model – Option model	FX volatility	0.05%	24%
– other	6	1				
Equity derivatives:						
– long-dated single stock options	284	224	Model – Option model	Equity volatility	7%	81%
– other	50	61				
Credit derivatives:						
– derivatives with monolines ...	52	–	Model – Discounted cash flow ...	Credit spread	3%	26%
– other	32	29				
Other portfolios	229	–				
	3,311	2,949				

1 Collateralised loan obligation/ collateralised debt obligation

Notes on the Condensed Financial Statements (unaudited) (continued)

Key unobservable inputs to Level 3 financial instruments

The table above lists key unobservable inputs to level 3 financial instruments, and provides the range of those inputs as at 30 June 2013. A further description of the categories of key unobservable inputs is given below.

Private equity including strategic investments

HSBC's private equity and strategic investments are generally classified as available for sale and are not traded in active markets. In the absence of an active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership. Given the bespoke nature of the analysis in respect of each holding, it is not practical to quote a range of key unobservable inputs.

Prepayment rates

Prepayment rates are a measure of the anticipated future speed at which a loan portfolio will be repaid in advance of the due date. Prepayment rates are an important input into modelled values of asset-backed securities. A modelled price may be used where insufficient observable market prices exist to enable a market price to be determined directly. Prepayment rates are also an important input into the valuation of derivatives linked to securitisations. For example, so-called securitisation swaps have a notional value that is linked to the size of the outstanding loan portfolio in a securitisation, which may fall as prepayments occur. Prepayment rates vary according to the nature of the loan portfolio, and expectations of future market conditions. For example, prepayment rates will generally be anticipated to increase as interest rates rise. Prepayment rates may be estimated using a variety of evidence, such as prepayment rates implied from proxy observable security prices, current or historic prepayment rates, macro-economic modelling.

Market proxy

Market proxy pricing may be used for an instrument for which specific market pricing is not available, but evidence is available in respect of instruments that have some characteristics in common. In some cases it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence. For example, in the collateralised loan obligation market it may be possible to establish that A-rated securities exhibit prices in a range, and to isolate key factors that influence position within the range. Application of this to a specific A-rated security within HSBC's portfolio allows assignment of a price.

The range of prices used as inputs into a market proxy pricing methodology may therefore be wide. This range is not indicative of the uncertainty associated with the price derived for an individual security.

Volatility

Volatility is a measure of the anticipated future variability of a market price. Volatility tends to increase in stressed market conditions, and decrease in calmer market conditions. Volatility is an important input in the pricing of options. In general, the higher the volatility, the more expensive the option will be. This reflects both the higher probability of an increased return from the option, and the potentially higher costs that HSBC may incur in hedging the risks associated with the option. If option prices become more expensive, this will increase the value of HSBC's long option positions (i.e. the positions in which HSBC has purchased options), while HSBC's short option positions (i.e. the positions in which HSBC has sold options) will suffer losses.

Volatility varies by underlying reference market price, and by strike and maturity of the option. Volatility also varies over time. As a result, it is difficult to make general statements regarding volatility levels. For example, while it is generally the case that foreign exchange volatilities are lower than equity volatilities, there may be examples in particular currency pairs or for particular equities where this is not the case.

Certain volatilities, typically those of a longer-dated nature, are unobservable. The unobservable volatility is then estimated from observable data. For example, longer-dated volatilities may be extrapolated from shorter-dated volatilities.

The range of unobservable volatilities quoted in the table reflects the wide variation in volatility inputs by reference market price. For example, FX volatilities for a pegged currency may be very low, whereas for non-managed currencies the FX volatility may be higher. As a further example, volatilities for deep-in-the-money or deep-out-of-the-money equity options may be significantly higher than at-the-money options as a result of 'volatility skew'. For

Notes on the Condensed Financial Statements (unaudited) (continued)

any single unobservable volatility, the uncertainty in the volatility determination is significantly less than the range quoted above.

Correlation

Correlation is a measure of the inter-relationship between two market prices. Correlation is a number between minus one and one. A positive correlation implies that the two market prices tend to move in the same direction, with a correlation of one implying that they always move in the same direction. A negative correlation implies that the two market prices tend to move in opposite directions, with a correlation of minus one implying that the two market prices always move in opposite directions.

Correlation is used to value more complex instruments where the payout is dependent upon more than one market price. For example, an equity basket option has a payout that is dependent upon the performance of a basket of single stocks, and the correlation between the price movements of those stocks will be an input to the valuation. This is referred to as equity-equity correlation. There are a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations (e.g. equity-equity correlation) and cross-asset correlations (e.g. foreign exchange rate-interest rate correlation) used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Correlation may be unobservable. Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, HSBC trade prices, proxy correlations and examination of historical price relationships.

The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market price pair. For any single unobservable correlation, the uncertainty in the correlation determination is likely to be less than the range quoted above.

Credit spread

Credit spread is the premium over a benchmark interest rate required by the market to accept a lower credit quality. In a discounted cash flow model, the credit spread increases the discount factors applied to future cash flows, thereby reducing the value of an asset. Credit spreads may be implied from market prices. Credit spreads may not be observable in more illiquid markets.

Inter-relationships between key unobservable inputs

Key unobservable inputs to level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macro-economic or other events. For example, improving economic conditions may lead to a 'risk on' market, in which prices of risky assets such as equities and high yield bonds will rise, while 'safe haven' assets such as gold and US Treasuries decline. Furthermore, the impact of changing market variables upon the HSBC portfolio will depend upon HSBC's net risk position in respect of each variable. For example, increasing high-yield bond prices will benefit long high-yield bond positions, but the value of any credit derivative protection held against those bonds will fall.

Fair values of financial instruments not carried at fair value

	30 June 2013		31 December 2012	
	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
Assets				
Loans and advances to banks	51,610	51,610	32,286	32,285
Loans and advances to customers	282,498	276,765	282,685	276,397
Liabilities				
Deposits by banks	44,596	44,596	39,571	39,571
Customer accounts	355,373	355,470	324,886	325,029
Debt securities in issue	38,895	38,924	40,358	40,401
Subordinated liabilities	10,751	10,789	10,350	10,013

The fair values in this note are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. In many cases, it would not be possible to

Notes on the Condensed Financial Statements (unaudited) (continued)

realise immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these financial instruments to the group as a going concern.

7 Offsetting of financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets £m	Gross amounts offset in the balance sheet £m	Amounts presented in the balance sheet £m	Amounts not offset in the balance sheet		Net amount £m
				Financial instruments £m	Cash collateral received £m	
At 30 June 2013						
Derivatives	335,529	(179,806)	155,723	102,474	17,579	35,670
Reverse repurchase, securities borrowing and similar agreements Classified as:						
– trading assets	61,222	(19,423)	41,799	41,374	406	19
– loans and advances to banks at amortised cost	32,054	(4,756)	27,298	27,242	56	–
– loans and advances to customers at amortised cost ...	32,555	(16,676)	15,879	15,801	74	4
Loans and advances excluding reverse repos						
– to banks	–	–	–	–	–	–
– to customers	103,885	(54,551)	49,334	47,348	–	1,986
	565,245	(275,212)	290,033	234,239	18,115	37,679
At 31 December 2012						
Derivatives	395,797	(217,989)	177,808	122,169	18,992	36,647
Reverse repurchase, securities borrowing and similar agreements Classified as:						
– trading assets	69,223	(26,409)	42,814	42,814	–	–
– loans and advances to banks at amortised cost	17,949	(4,151)	13,798	13,693	105	–
– loans and advances to customers at amortised cost ...	28,607	(11,717)	16,890	16,862	27	1
Loans and advances excluding reverse repos						
– to banks	–	–	–	–	–	–
– to customers	105,227	(53,797)	51,430	48,009	–	3,421
	616,803	(314,063)	302,740	243,547	19,124	40,069

Notes on the Condensed Financial Statements (unaudited) (continued)*Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements*

	Gross amounts of recognised financial liabilities £m	Gross amounts offset in the balance sheet £m	Amounts presented in the balance sheet £m	Amounts not offset in the balance sheet		Net amount £m
				Financial instruments £m	Cash collateral pledged £m	
At 30 June 2013						
Derivatives	336,244	(179,806)	156,438	102,471	19,225	34,742
Repurchase, securities lending and similar agreements						
Classified as:						
– trading liabilities	68,381	(19,423)	48,958	48,938	–	20
– deposits by banks	14,997	(4,756)	10,241	9,825	70	346
– customer accounts	39,414	(16,676)	22,738	22,675	63	–
Deposits by banks excluding repos ...	1	–	1	–	–	1
Customer accounts excluding repos ..	111,823	(54,551)	57,272	47,348	–	9,924
	570,860	(275,212)	295,648	231,257	19,358	45,033
At 31 December 2012						
Derivatives	399,084	(217,989)	181,095	122,499	22,984	35,612
Repurchase, securities lending and similar agreements						
Classified as:						
– trading liabilities	71,142	(26,409)	44,733	44,733	–	–
– deposits by banks	10,508	(4,151)	6,357	6,300	57	–
– customer accounts	23,924	(11,717)	12,207	12,205	1	1
Deposits by banks excluding repos.....	29	–	29	–	–	29
Customer accounts excluding repos ..	109,840	(53,797)	56,043	48,009	–	8,034
	614,527	(314,063)	300,464	233,746	23,042	43,676

8 Provisions

Provisions of £1,798 million (31 December 2012: £1,641 million) include £1,186 million (31 December 2012: £1,227 million) in respect to customer redress programmes and £287 million (31 December 2012: £103 million) in respect of litigation. The most significant of these provisions are as follows:

- (i) £666 million (31 December 2012: £692 million) for the group relating to the estimated liability for redress in respect of the possible mis-selling of Payment Protection Insurance ('PPI') policies in previous years. An increase in provisions of £238 million was recognised in the income statement during the half-year ended 30 June 2013. In addition, a further £99 million of provision was transferred to the group following the acquisition of the business assets and liabilities of HFC Bank Limited ('HFC'), a member of the HSBC Group, in June 2013. Cumulative provisions made since the Judicial Review ruling in the first half of 2011 (including amounts before the transfer of the balances from HFC) amount to £1.8 billion of which £1.1 billion has been paid.

The main assumptions are the number of customer complaints expected to be received, and for how long a period; the number of non-complainant customers who will have to be contacted if systemic issues are identified following root cause analysis; the response rate from customers who are contacted pro-actively; and the expected uphold rate for complaints and the amount of redress payable in upheld cases. The main assumptions are likely to evolve over time as more experience becomes available regarding actual complaint volumes received and root cause analysis is completed.

In addition to these factors and assumptions, the extent of the required redress will also depend on the facts and circumstances of each individual customer's case. It is possible the eventual outcome may differ from the current estimate and there is currently a high degree of uncertainty as to the eventual costs of redress for this matter.

In determining the level of additional provision in the first half of 2013, management noted the higher levels of response to outbound mailings than had been previously assumed, now that the outbound contact exercise implemented is reasonably mature for some brands, as well as the increased cost of cases referred to the

Notes on the Condensed Financial Statements (unaudited) (continued)

Financial Ombudsman Service. The group continued to review remediation processes (root cause analysis, customer contact, case reviews, decision making and redress calculations) across all brands and sales channels and align these to the highest common standard and industry best practice.

- (ii) £333 million (31 December 2012: £375 million) relating to the estimated liability for redress in respect of the possible mis-selling of interest rate derivatives in the UK. During the first half of 2013, the group utilised £17 million of the provision.

The extent to which the group is required to pay redress depends largely on the responses of contacted customers and complaints received from other customers during the review period and the facts and circumstances of each individual case. It is possible the eventual outcome may differ from the current estimate and there is currently a high degree of uncertainty as to the eventual costs of redress related to this matter.

Further details of legal proceedings and regulatory matters are set out in Note 12. Legal proceedings include civil court, arbitration or tribunal proceedings brought against the group (whether by way of claim or counterclaim) or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings.

9 Credit quality of financial instruments

The five credit quality classifications set out and defined on page 47 of the *Annual Report and Accounts 2012* describe the credit quality of the group's lending, debt securities portfolios and derivatives. These classifications each encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending businesses, as well as the external ratings attributed by external agencies to debt securities. There is no direct correlation between internal and external ratings at granular level, except to the extent each falls within a single quality classification.

The following tables set out the group's distribution of financial instruments by measures of credit quality.

Notes on the Condensed Financial Statements (unaudited) (continued)

30 June 2013								
	Neither past due nor impaired				Past due not impaired £m	Impaired £m	Impairment allowances £m	Total £m
	Strong £m	Medium Good £m	Satisfactory £m	Sub- standard £m				
Cash and balances at central banks	59,438	–	–	–	–	–	–	59,438
Items in the course of collection from other banks	2,353	–	–	–	–	–	–	2,353
Trading assets	107,525	24,446	23,908	1,649	–	–	–	157,528
– treasury and other eligible bills	941	752	188	–	–	–	–	1,881
– debt securities	48,179	7,792	4,069	342	–	–	–	60,382
– loans and advances to banks	25,343	8,192	7,405	1,299	–	–	–	42,239
– loans and advances to customers	33,062	7,710	12,246	8	–	–	–	53,026
Financial assets designated at fair value	2,460	264	4,249	5	–	–	–	6,978
– treasury and other eligible bills	–	–	–	–	–	–	–	–
– debt securities	2,459	264	4,247	5	–	–	–	6,975
– loans and advances to banks	1	–	2	–	–	–	–	3
– loans and advances to customers	–	–	–	–	–	–	–	–
Derivatives	121,760	19,787	13,253	923	–	–	–	155,723
Loans and advances held at amortised cost	193,417	64,040	64,563	6,227	1,329	8,049	(3,517)	334,108
– loans and advances to banks	44,618	4,353	2,521	81	10	49	(22)	51,610
– loans and advances to customers	148,799	59,687	62,042	6,146	1,319	8,000	(3,495)	282,498
Financial investments	63,690	7,108	2,467	1,935	–	1,710	–	76,910
– treasury and other similar bills	3,963	1,215	433	–	–	4	–	5,615
– debt securities	59,727	5,893	2,034	1,935	–	1,706	–	71,295
Other assets	4,523	449	2,005	571	7	10	–	7,565
– endorsements and acceptances	289	18	418	–	–	–	–	725
– accrued income and other	4,234	431	1,587	571	7	10	–	6,840

Notes on the Condensed Financial Statements (unaudited) (continued)

31 December 2012								
	Neither past due nor impaired				Past due not impaired £m	Impaired £m	Impairment allowances £m	Total £m
	Strong £m	Good £m	Medium Satisfactory £m	Sub- standard £m				
Cash and balances at central banks	51,613	–	–	–	–	–	–	51,613
Items in the course of collection from other banks	1,961	–	–	–	–	–	–	1,961
Trading assets	99,766	21,027	17,140	691	–	–	–	138,624
– treasury and other eligible bills	931	797	527	3	–	–	–	2,258
– debt securities	41,991	8,017	4,320	248	–	–	–	54,576
– loans and advances to banks	22,123	5,829	4,269	434	–	–	–	32,655
– loans and advances to customers	34,721	6,384	8,024	6	–	–	–	49,135
Financial assets designated at fair value	2,465	243	4,416	27	–	–	–	7,151
– treasury and other eligible bills	–	–	–	–	–	–	–	–
– debt securities	2,438	243	4,414	27	–	–	–	7,122
– loans and advances to banks	27	–	2	–	–	–	–	29
– loans and advances to customers	–	–	–	–	–	–	–	–
Derivatives	145,481	18,758	12,537	1,032	–	–	–	177,808
Loans and advances held at amortised cost	174,617	66,580	62,145	6,678	1,403	6,818	(3,270)	314,971
– loans and advances to banks	25,104	4,845	2,185	136	–	40	(24)	32,286
– loans and advances to customers	149,513	61,735	59,960	6,542	1,403	6,778	(3,246)	282,685
Financial investments	58,038	4,730	3,956	1,954	–	1,559	–	70,237
– treasury and other similar bills	4,199	530	474	–	–	–	–	5,203
– debt securities	53,839	4,200	3,482	1,954	–	1,559	–	65,034
Other assets	3,740	353	1,883	707	4	17	–	6,704
– endorsements and acceptances	271	21	487	–	–	–	–	779
– accrued income and other	3,469	332	1,396	707	4	17	–	5,925

Notes on the Condensed Financial Statements (unaudited) (continued)**10 Contingent liabilities, contractual commitments and guarantees**

	At 30 June 2013 £m	At 31 December 2012 £m
Guarantees and other contingent liabilities		
Guarantees	15,436	14,829
Other contingent liabilities	72	55
	15,508	14,884
Commitments		
Documentary credits and short-term trade-related transactions	3,359	2,729
Forward asset purchases and forward deposits placed	38	19
Undrawn formal standby facilities, credit lines and other commitments to lend	121,361	112,977
	124,758	115,725

The above table discloses the nominal principal amounts of commitments, guarantees and other contingent liabilities. They are mainly credit-related instruments which include both financial and non-financial guarantees and commitments to extend credit. Nominal principal amounts represent the amounts at risk should contracts be fully drawn upon and clients default. As a significant proportion of guarantees and commitments is expected to expire without being drawn upon, the total of the nominal principal amounts is not representative of future liquidity requirements. Contingent liabilities arising from legal proceedings and regulatory matters are disclosed in Note 12.

Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme ('FSCS') has provided compensation to consumers following the collapse of a number of deposit takers. The financial impact on the bank, the basis for estimating costs, and the uncertainties involved in estimating the ultimate FSCS levy to the industry, remain consistent with those disclosed on page 198 of the *Annual Report and Accounts 2012*.

Guarantees and other commitments

The principal types of guarantees generally provided in the normal course of the group's banking business, and other contractual commitments, are consistent with those detailed on pages 198 and 199 of the *Annual Report & Accounts 2012*.

11 Related party transactions**Pension scheme swap transactions**

The HSBC Bank (UK) Pension Scheme ('the Scheme') enters into swap transactions with the bank to manage the inflation and interest rate sensitivity of the liabilities. At 30 June 2013, the gross notional value of the swaps was £19,297 million (31 December 2012: £18,998 million), the swaps had a negative fair value of £3,330 million to the bank (31 December 2012: negative fair value £3,233 million) and the bank had delivered collateral of £4,724 million (31 December 2012: £4,423 million) to the Scheme in respect of these swaps. All swaps were executed at prevailing market rates and within standard market bid/offer spreads.

12 Legal proceedings, investigations and regulatory matters

The group is party to legal proceedings, investigations and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters is material, either individually or in the aggregate. The group recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings as at 30 June 2013.

Notes on the Condensed Financial Statements (unaudited) (continued)

Bernard L. Madoff Investment Securities LLC

In December 2008, Bernard L. Madoff ('Madoff') was arrested for running a Ponzi scheme and a trustee was appointed for the liquidation of his firm, Bernard L. Madoff Investment Securities LLC ('Madoff Securities'), an SEC-registered broker-dealer and investment adviser. Since his appointment, the trustee has been recovering assets and processing claims of Madoff Securities customers. Madoff subsequently pleaded guilty to various charges and is serving a 150 year prison sentence. He has acknowledged, in essence, that while purporting to invest his customers' money in securities and, upon request, return their profits and principal, he in fact never invested in securities and used other customers' money to fulfil requests for the return of profits and principal. The relevant US authorities are continuing their investigations into his fraud, and have brought charges against others, including certain former employees and the former auditor of Madoff Securities.

Various non-US HSBC companies provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Madoff Securities. Based on information provided by Madoff Securities, as at 30 November 2008, the purported aggregate value of these funds was US\$8.4 billion, an amount that includes fictitious profits reported by Madoff. Based on information available to HSBC to date, the Group estimate that the funds' actual transfers to Madoff Securities minus their actual withdrawals from Madoff Securities during the time that HSBC serviced the funds totalled approximately US\$4 billion.

Plaintiffs (including funds, fund investors, and the Madoff Securities trustee) have commenced Madoff-related proceedings against numerous defendants in a multitude of jurisdictions. Various HSBC companies have been named as defendants in suits in the US, Ireland, Luxembourg, and other jurisdictions. Certain suits (which include US putative class actions) allege that the HSBC defendants knew or should have known of Madoff's fraud and breached various duties to the funds and fund investors.

In April 2013, the US Court of Appeals for the Second Circuit heard oral argument on an appeal by investors in three related putative class actions from decisions by the US District Court for the Southern District of New York that dismissed all claims against the HSBC defendants on *forum non conveniens* grounds and in one of the actions involving claims of investors in Thema International Fund plc, also declined to consider preliminary approval of a proposed settlement pursuant to which, subject to various conditions, HSBC had agreed to pay from US\$52.5 million up to a maximum of US\$62.5 million. In light of the District Court's decisions, HSBC terminated the settlement agreement. The Thema plaintiff contests HSBC's right to terminate. A decision on appeal is expected in late 2013.

In July 2013, a settlement was reached for US\$250 million plus a contribution of US\$43 million towards costs in respect of a claim by Thema International Fund plc against HSBC Institutional Trust Services (Ireland) Limited in the Irish High Court. A provision was made for this matter as at 30 June 2013.

In December 2010, the Madoff Securities trustee commenced suits against various HSBC companies in the US Bankruptcy Court and in the English High Court. The US action (which also names certain funds, investment managers, and other entities and individuals) sought US\$9 billion in damages and additional recoveries from HSBC and the various co-defendants. It sought damages against HSBC for allegedly aiding and abetting Madoff's fraud and breach of fiduciary duty. In July 2011, after withdrawing the case from the Bankruptcy Court in order to decide certain threshold issues, the US District Court Judge dismissed the trustee's various common law claims on the grounds that the trustee lacks standing to assert them. In December 2011, the trustee filed a notice of appeal to the US Court of Appeals for the Second Circuit. The Second Circuit issued a decision upholding the District Court's dismissal of the common law claims in June 2013.

The District Court returned the remaining claims to the US Bankruptcy Court for further proceedings. Those claims seek, pursuant to US bankruptcy law, recovery of unspecified amounts received by HSBC from funds invested with Madoff, including amounts that HSBC received when it redeemed units HSBC held in the various funds. HSBC acquired those fund units in connection with financing transactions HSBC had entered into with various clients. The trustee's US bankruptcy law claims also seek recovery of fees earned by HSBC for providing custodial, administration and similar services to the funds. Between September 2011 and April 2012, the HSBC defendants and certain other defendants moved again to withdraw the case from the Bankruptcy Court. The District Court granted those withdrawal motions as to certain issues, and briefing and oral arguments on the merits of the withdrawn issues are now complete. The District Court has issued rulings on several of the withdrawn issues, but decisions with respect to all other issues are still pending and are expected in 2013.

Notes on the Condensed Financial Statements (unaudited) (continued)

The trustee's English action seeks recovery of unspecified transfers of money from Madoff Securities to or through HSBC, on the ground that the HSBC defendants actually or constructively knew of Madoff's fraud. HSBC has not been served with the trustee's English action.

Between October 2009 and April 2012, Fairfield Sentry Limited, Fairfield Sigma Limited, and Fairfield Lambda Limited ('Fairfield'), funds whose assets were directly or indirectly invested with Madoff Securities, commenced multiple suits in the British Virgin Islands ('BVI') and the US against numerous fund shareholders, including various HSBC companies that acted as nominees for clients of HSBC's private banking business and other clients who invested in the Fairfield funds. The Fairfield actions seek restitution of amounts paid to the defendants in connection with share redemptions, on the ground that such payments were made by mistake, based on inflated values resulting from Madoff's fraud, and some actions also seek recovery of the share redemptions under BVI insolvency law. The actions in the US are currently stayed in the Bankruptcy Court pending developments in related appellate litigation in the BVI.

There are many factors which may affect the range of possible outcomes, and the resulting financial impact, of the various Madoff-related proceedings, including but not limited to the circumstances of the fraud, the multiple jurisdictions in which the proceedings have been brought and the number of different plaintiffs and defendants in such proceedings. For these reasons, among others, it is not practicable at this time for HSBC to estimate reliably the aggregate liabilities, or ranges of liabilities, that might arise as a result of all such claims but they could be significant. In any event, HSBC considers that it has good defences to the claims made against it and will continue to defend them vigorously.

Anti-money laundering and sanctions-related investigations

In December 2012, HSBC Holdings plc ('HSBC Holdings'), the bank's ultimate parent company, HSBC Bank USA, N.A. ('HBUS'), and HSBC North America Holdings ('HNAH') entered into agreements to achieve a resolution with US and UK government agencies regarding past inadequate compliance with anti-money laundering ('AML'), US Bank Secrecy Act ('BSA') and sanctions laws. Among other agreements, HSBC Holdings and HBUS entered into a five-year Deferred Prosecution Agreement (the 'US DPA') with the US Department of Justice ('DOJ'), HSBC Holdings entered into a two-year Deferred Prosecution Agreement with the New York County District Attorney ('DANY'), and HSBC Holdings consented to a cease and desist order with the Federal Reserve Board ('FRB'). HSBC Holdings also entered into an Undertaking with the UK Financial Services Authority (now a Financial Conduct Authority ('FCA') Direction) to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term.

In addition, HBUS entered into a monetary penalty consent order with the US Department of the Treasury's Financial Crimes Enforcement Network ('FinCEN') and a separate monetary penalty order with the Office of the Comptroller of the Currency ('OCC'). HBUS also entered into a separate consent order with the OCC requiring it to correct the circumstances and conditions as noted in the OCC's then most recent report of examination, imposing certain restrictions on HBUS directly or indirectly acquiring control of, or holding an interest in, any new financial subsidiary, or commencing a new activity in its existing financial subsidiary, unless it receives prior approval from the OCC. HBUS entered into a separate consent order with the OCC requiring it to adopt an enterprise-wide compliance program.

Under these agreements, HSBC Holdings and HBUS will continue to cooperate fully with US and UK regulatory and law enforcement authorities and take further action to strengthen its compliance policies and procedures. Under its agreements with DOJ, the FCA, and the FRB, an independent corporate compliance monitor will evaluate the HSBC Group's progress in implementing its obligations under the relevant agreements. Michael Cherkasky has been selected as the independent monitor, and, on 1 July, 2013, the United States District Court for the Eastern District of New York approved the US DPA and retained authority to oversee implementation of the same.

If HSBC Holdings and HSBC Bank USA fulfil all of the requirements imposed by the US DPA, the DOJ's charges against those entities will be dismissed at the end of the five-year period of that agreement. Similarly, if HSBC Holdings fulfils all of the requirements imposed by the DANY DPA, DANY's charges against it will be dismissed at the end of the two-year period of that agreement. The DoJ may prosecute HSBC Holdings or HSBC Bank USA in relation to the matters which are the subject of the US DPA if HSBC Holdings or HSBC Bank USA breaches the terms of the US DPA, and DANY may prosecute HSBC Holdings in relation to the matters which are subject of the DANY DPA if HSBC Holdings violates the terms of the DANY DPA.

Notes on the Condensed Financial Statements (unaudited) (continued)

Under these agreements, HSBC Holdings has certain obligations to ensure that entities in the HSBC Group, including the bank and its subsidiaries, comply with certain requirements. Steps continue to be taken to implement ongoing obligations under the US DPA, FCA direction, and other settlement agreements.

The settlement with US and UK authorities does not preclude private litigation relating to, among other things, the HSBC Group's compliance with applicable AML/BSA and sanctions laws or other regulatory or law enforcement actions for AML/BSA or sanctions matters not covered by the various agreements.

Investigations and reviews into the setting of London interbank offered rates, European interbank offered rates and other benchmark interest and foreign exchange rates

Various regulators and competition and enforcement authorities around the world including in the UK, the US, Canada, the EU, Switzerland and Asia, are conducting investigations and reviews related to certain past submissions made by panel banks and the processes for making submissions in connection with the setting of London interbank offered rates ('Libor'), European interbank offered rates ('Euribor') and other benchmark interest and foreign exchange rates. As certain HSBC entities are members of such panels, HSBC and/or its subsidiaries have been the subject of regulatory demands for information and are cooperating with those investigations and reviews.

Based on the facts currently known in respect of each of these investigations, there is a high degree of uncertainty as to the terms on which the on-going investigations will be resolved and the timing of such resolution, including the amounts of fines and/or penalties. As matters progress, it is possible that fines and penalties could ultimately be significant.

In addition, HSBC and other panel banks have been named as defendants in a number of private lawsuits filed in the US with respect to the setting of US dollar Libor. These lawsuits include individual and putative class actions, most of which have been transferred and/or consolidated for pre-trial purposes before the US District Court for the Southern District of New York. The complaints in those actions assert claims against HSBC and other US dollar Libor panel banks under various US laws including US antitrust and racketeering laws, the US Commodity Exchange Act ('CEA'), and state law.

In March 2013, the US District Court Judge overseeing the consolidated proceeding that encompasses a number of pending actions related to US dollar Libor issued an opinion and order in the six oldest actions, dismissing the plaintiffs' federal and state antitrust claims, racketeering claims and unjust enrichment claims in their entirety, but allowing certain of their CEA claims that were not barred by the applicable statute of limitations to proceed. In May 2013, the plaintiffs in some of those actions filed motions for leave to amend their complaints. Those motions remain pending before the court. The court has stayed proceedings with respect to all other actions in the consolidated proceeding that contain claims similar to those addressed by the court's opinion and order.

Separately, HSBC and other panel banks have also been named as defendants in a putative class action filed in the US on behalf of persons and entities who transacted in euroyen futures and options contracts related to the euroyen Tokyo interbank offered rate ('Tibor'). The complaint alleges, amongst other things, misconduct related to euroyen Tibor, although HSBC is not a member of the Japanese Bankers Association's Euroyen TIBOR panel, as well as Japanese Yen Libor, in violation of US antitrust laws, the US CEA, and state law. In April 2013, the plaintiff filed a second amended complaint, which the defendants moved to dismiss in June 2013. Briefing is expected to be completed in late 2013.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these private lawsuits, including the timing and potential impact on HSBC.

Credit default swap regulatory investigation and litigation

In July 2013, HSBC received a Statement of Objections from the European Commission relating to its on-going investigation of alleged anti-competitive activity by a number of market participants in the credit derivative market between 2006 and 2009. The Statement of Objections sets out the European Commission's preliminary views and does not prejudice the final outcome of its investigation. HSBC is reviewing the Statement of Objections in detail and will submit a response to the European Commission in due course. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the European Commission's investigation, including the timing or impact on HSBC.

In July 2013, various HSBC entities including HSBC Bank plc were named as defendants, among others, in three putative class actions filed in federal courts located in New York and Chicago. These class actions allege that the

Notes on the Condensed Financial Statements (unaudited) (continued)

defendants, which include ISDA, Markit and several other financial institutions, conspired to restrain trade in violation of the federal anti-trust laws by, among other things, restricting access to credit default swap pricing exchanges and blocking new entrants into the exchange market, with the purpose and effect of artificially inflating the bid/ask spread paid to buy and sell credit default swaps in the United States. The Plaintiffs in these suits purport to represent a class of all persons who purchased or sold credit default swaps to defendants in the United States. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these lawsuits, including the timing and potential impact on HSBC.

13 Event after the balance sheet date

A first interim dividend for the financial year ending 31 December 2013 of £570 million was declared by the Directors after 30 June 2013.

14 Interim Report 2013 and statutory accounts

The information in this *Interim Report 2013* is unaudited and does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The *Interim Report 2013* was approved by the Board of Directors on 5 August 2013. The statutory accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies in England and Wales in accordance with section 446 of the Companies Act 2006. The auditor has reported on those accounts. Its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Independent Review Report by KPMG Audit Plc to HSBC Bank plc

Introduction

We have been engaged by HSBC Bank plc ('the bank') to review the condensed set of financial statements in the half-yearly interim report for the six months ended 30 June 2013 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the *Interim Report 2013* and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the bank in accordance with the terms of our engagement to assist the bank in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the bank for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The *Interim Report 2013* is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the *Interim Report 2013* in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the bank are prepared in accordance with IFRSs as adopted by the European Union ('EU'). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the bank a conclusion on the condensed set of financial statements in the *Interim Report 2013* based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the *Interim Report 2013* for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Nicholas Edmonds
For and on behalf of KPMG Audit Plc
Chartered Accountants
London, England

5 August 2013

HSBC Bank plc

Incorporated in England with limited liability. Registered in England: number 14259

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