HSBC UK Bank plc

Unaudited Interim Condensed Financial Statements for the six months ended 30 June 2023

Registered number - 09928412

HSBC

Contents

Directors' responsibility statement

Company law requires the directors of a public company to prepare interim financial statements where the company wishes to make a distribution to shareholders, but where the distribution would be found to contravene the distribution rules if reference were made only to the company's last annual accounts.

These interim condensed financial statements are in respect of the Company only and have been properly prepared subject to matters that are not material for determining whether the distribution would contravene Part 23 of the Companies Act 2006. In preparing these interim condensed financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Interim condensed financial statements

Condensed income statement for the six months ended 30 June 2023

		Half-year to	
		30 Jun	30 Jun
		2023	2022
	Notes	**£m**	£m
Net interest income		**3,580**	2,606
– interest income		**5,692**	2,957
– interest expense		**(2,112)**	(351)
Net fee income	2	**552**	510
– fee income		**683**	650
– fee expense		**(131)**	(140)
Net income from financial instruments held for trading or managed on a fair value basis		**181**	162
Change in fair value of other financial instruments mandatorily measured at fair value through profit or loss		**7**	33
Gains less losses from financial investments		**31**	21
Other operating income		**84**	91
Net operating income before change in expected credit losses and other credit impairment charges		**4,435**	3,423
Change in expected credit losses and other credit impairment charges		**(286)**	(3)
Net operating income		**4,149**	3,420
Employee compensation and benefits		**(435)**	(481)
General and administrative expenses		**(1,012)**	(1,022)
Depreciation and impairment of property, plant and equipment and right-of-use assets		**(55)**	(90)
Amortisation and impairment of intangible assets		**(151)**	(149)
Total operating expenses		**(1,653)**	(1,742)
Operating profit		**2,496**	1,678
Profit before tax		**2,496**	1,678
Tax expense	4	**(652)**	(259)
Profit for the period		**1,844**	1,419

The accompanying notes on pages 8 to 15 form an integral part of the interim condensed financial statements.

Condensed statement of comprehensive income for the six months ended 30 June 2023

	Half-year to	
	30 Jun 2023	30 Jun 2022
	£m	£m
Profit for the period	**1,844**	1,419
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	**11**	(272)
– fair value gains/(losses)	**49**	(363)
– fair value gains transferred to the income statement on disposal	**(31)**	(21)
– expected credit recoveries recognised in the income statement	**—**	(1)
– income taxes	**(7)**	113
Cash flow hedges	**(567)**	(609)
– fair value losses	**(1,300)**	(815)
– fair value (gains)/losses reclassified to the income statement	**513**	(21)
– income taxes	**220**	227
Exchange differences	**7**	(2)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	**(16)**	(53)
– before income taxes	**(20)**	(256)
– income taxes[1]	**4**	203
Other comprehensive income/(expense) for the period, net of tax	**(565)**	(936)
Total comprehensive income for the period	**1,279**	483

1 *There is an income tax credit of £4m (1H22: credit £203m). 1H22 includes an income tax credit of £136m, arising upon the remeasurement of deferred tax following the substantive enactment of legislation to reduce the UK banking surcharge rate from 8% to 3% with effect from 1 April 2023.*

Condensed balance sheet as at 30 June 2023

		At	
		30 Jun 2023	31 Dec 2022
	Notes	**£m**	£m
Assets			
Cash and balances at central banks		**75,515**	94,407
Items in the course of collection from other banks		**112**	154
Financial assets mandatorily measured at fair value through profit or loss	6	**118**	108
Derivatives		**344**	546
Loans and advances to banks		**11,252**	9,304
Loans and advances to customers		**199,490**	199,666
Reverse repurchase agreements – non-trading		**6,781**	7,406
Financial investments		**21,283**	16,092
Investments in subsidiaries	8	**1,010**	1,010
Prepayments, accrued income and other assets		**7,919**	8,527
Interests in joint ventures		**5**	5
Goodwill and intangible assets		**1,188**	1,185
Total assets		**325,017**	338,410
Liabilities and equity			
Liabilities			
Deposits by banks		**12,045**	11,619
Customer accounts		**266,712**	279,575
Repurchase agreements – non-trading		**7,659**	9,333
Items in the course of transmission to other banks		**152**	304
Derivatives		**134**	304
Debt securities in issue		**1,051**	1,091
Accruals, deferred income and other liabilities		**3,044**	3,330
Current tax liabilities		**623**	135
Provisions	9	**339**	386
Deferred tax liabilities		**518**	690
Subordinated liabilities		**13,066**	12,349
Total liabilities		**305,343**	319,116
Equity			
Called up share capital		**—**	—
Share premium account		**9,015**	9,015
Other equity instruments		**2,196**	2,196
Other reserves		**3,129**	3,678
Retained earnings		**5,334**	4,405
Total equity		**19,674**	19,294
Total liabilities and equity		**325,017**	338,410

These financial statements were approved by the Board of Directors on 18 October 2023 and signed on its behalf by:

John David Stuart
Director

Condensed statement of changes in equity for the six months ended 30 June 2023

	Called up share capital and share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Group re-organisation reserve[2]	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2023	**9,015**	**2,196**	**4,405**	**(246)**	**(1,324)**	**5,248**	**19,294**
Profit for the period	**—**	**—**	**1,844**	**—**	**—**	**—**	**1,844**
Other comprehensive income (net of tax)	**—**	**—**	**(16)**	**18**	**(567)**	**—**	**(565)**
– debt instruments at fair value through other comprehensive income	**—**	**—**	**—**	**11**	**—**	**—**	**11**
– cash flow hedges	**—**	**—**	**—**	**—**	**(567)**	**—**	**(567)**
– remeasurement of defined benefit asset/liability	**—**	**—**	**(16)**	**—**	**—**	**—**	**(16)**
– exchange differences	**—**	**—**	**—**	**7**	**—**	**—**	**7**
Total comprehensive income for the period	**—**	**—**	**1,828**	**18**	**(567)**	**—**	**1,279**
Dividends to shareholders	**—**	**—**	**(908)**	**—**	**—**	**—**	**(908)**
Other movements[1]	**—**	**—**	**9**	**—**	**—**	**—**	**9**
At 30 Jun 2023	**9,015**	**2,196**	**5,334**	**(228)**	**(1,891)**	**5,248**	**19,674**
At 1 Jan 2022	9,015	2,196	4,438	56	(90)	5,248	20,863
Profit for the period	—	—	1,419	—	—	—	1,419
Other comprehensive income (net of tax)	—	—	(53)	(274)	(609)	—	(936)
– debt instruments at fair value through other comprehensive income	—	—	—	(272)	—	—	(272)
– cash flow hedges	—	—	—	—	(609)	—	(609)
– remeasurement of defined benefit asset/liability	—	—	(53)	—	—	—	(53)
– exchange differences	—	—	—	(2)	—	—	(2)
Total comprehensive income for the period	—	—	1,366	(274)	(609)	—	483
Dividends to shareholders	—	—	(729)	—	—	—	(729)
Other movements[1]	—	—	12	—	—	—	12
At 30 Jun 2022	9,015	2,196	5,087	(218)	(699)	5,248	20,629

1 *Relates primarily to £6m of pension assets transferred from HSBC Global Services (UK) Limited and HSBC Bank plc (1H22: £8m).*
2 *The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring-fenced businesses that were transferred from HSBC Bank plc.*

Condensed statement of cash flows for the six months ended 30 June 2023

	Half-year to	
	30 Jun 2023	30 Jun 2022
	£m	£m
Profit before tax	**2,496**	1,678
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	**206**	239
Net gain from investing activities	**(31)**	(17)
Change in expected credit losses gross of recoveries and other credit impairment charges	**305**	34
Provisions including pensions	**(122)**	(26)
Share-based payment expense	**9**	7
Other non-cash items included in profit before tax	**(42)**	(6)
Elimination of exchange differences[1]	**424**	955
Changes in operating assets	**1,599**	(12,200)
Changes in operating liabilities	**(14,599)**	3,197
Contributions paid to defined benefit plans	**(5)**	(11)
Tax paid	**(119)**	(1,088)
Net cash from operating activities	**(9,879)**	(7,238)
Purchase of financial investments	**(8,615)**	(6,577)
Proceeds from the sale and maturity of financial investments	**3,522**	6,245
Net cash flows from the purchase and sale of property, plant and equipment	**(8)**	(23)
Net investment in intangible assets	**(154)**	(159)
Net cash from investing activities	**(5,255)**	(514)
Subordinated loan capital issued[2]	**1,000**	—
Dividends paid to shareholders of the company	**(908)**	(729)
Net cash from financing activities	**92**	(729)
Net decrease in cash and cash equivalents	**(15,042)**	(8,481)
Cash and cash equivalents at the beginning of the period	**100,516**	114,114
Exchange differences in respect of cash and cash equivalents	**(163)**	27
Cash and cash equivalents at the end of the period	**85,311**	105,560

Interest received was £5,430m (1H 2022: £2,784m) and interest paid was £1,902m (1H 2022: £271m).

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

2 *Subordinated liabilities changes during the period are attributable to cash flows from the issuance of securities £1,000m (2022: £nil). Non-cash changes during the period included foreign exchange gains/(losses) of £273m (2022: £(494)m).*

Notes on the interim condensed financial statements for the six months ended 30 June 2023

Contents

1 Basis of preparation and material accounting policies

(a) Compliance with International Financial Reporting Standards

The interim condensed financial statements of the Company for the six months ended 30 June 2023 have been properly prepared in accordance with Sections 836 and 838 of the Companies Act 2006 and applicable accounting standards in the UK including IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board ('IASB') and as adopted by the UK, subject to matters that are not material for determining whether a distribution would contravene Part 23 of the Companies Act 2006. Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the end of 2022.

These financial statements should be read in conjunction with the *Annual Report and Accounts 2022*, which was prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. These financial statements were also prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee.

At 30 June 2023, there were no unendorsed standards effective for the six months ended 30 June 2023 affecting these financial statements, and there was no difference between IFRSs as adopted by the UK and IFRSs issued by the IASB in terms of their application to the Company.

Standards applied during the six months ended 30 June 2023

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the IASB issued its amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately with disclosure requirements effective for annual reporting periods beginning on or after 1 January 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Company has applied the IAS 12 exception from recognising and disclosing information on associated deferred tax assets and liabilities.

There were no other new standards or amendments to standards that had an effect on these interim condensed financial statements.

(b) Use of estimates and judgements

Management believes that our critical accounting estimates and judgements are those that relate to impairment of amortised cost and FVOCI debt financial assets, provisions for liabilities and defined benefit pension obligations. Apart from estimates relating to ECL impairment there were no material changes in the current period to any of the other critical accounting estimates and judgements disclosed in 2022, which are stated on pages 87 to 94 of the *Annual Report and Accounts 2022*.

(c) Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

(d) Accounting policies

The accounting policies applied by the Company for these interim condensed financial statements are consistent with those described on pages 87 to 94 of the *Annual Report and Accounts 2022*, as are the methods of computation, with the exception of those relating to amendments to IAS 12.

2 Net fee income

	Half-year to	
	30 Jun 2023	30 Jun 2022
Net fee income by product	**£m**	£m
Account services	**133**	130
Funds under management	**55**	54
Cards	**262**	254
Credit facilities	**66**	67
Imports/exports	**15**	15
Insurance agency commission	**5**	12
Other	**147**	118
Fee income	**683**	650
Less: fee expense	**(131)**	(140)
Net fee income	**552**	510

3 Post-employment benefit plans

We operate a pension plan for our employees called the HSBC Bank (UK) Pension Scheme ('the plan'). Details of the plan are explained on pages 96 and 97 of the *Annual Report and Accounts 2022*, and details of the policies and practices associated with the plan on page 58 of the *Annual Report and Accounts 2022*.

Net assets/(liabilities) under defined benefit pension plans

	Fair value of plan assets	Present value of defined benefit obligations	Net defined benefit assets/(liabilities)
	£m	£m	£m
At 30 Jun 2023	**20,174**	**(14,815)**	**5,359**
At 31 Dec 2022	20,853	(15,596)	5,257

Post-employment defined benefit plan actuarial financial assumptions

Key actuarial assumptions for the plan

	Discount rate	Inflation rate (RPI)	Inflation rate (CPI)	Rate of increase for pensions	Rate of pay increase
	%	%	%	%	%
At 30 Jun 2023	**5.40**	**3.44**	**3.01**	**3.32**	**3.51**
At 31 Dec 2022	4.93	3.39	2.84	3.27	3.34

Mortality tables and average life expectancy at age 60 for the plan

	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
At 30 Jun 2023	**SAPS S3[1]**	**26.8**	**28.3**	**28.0**	**29.6**
At 31 Dec 2022	SAPS S3[1]	27.1	28.6	28.4	29.9

1 *Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2022 core projection model with an initial addition to improvement of 0.25% per annum and a long-term rate of improvement of 1.25% per annum and a 25% weighting to 2022 mortality experience reflecting updated long-term view on mortality improvements post-pandemic.*

4 Tax

Tax charge

The effective tax rate is 26.1% (1H22: 15.4%). The effective tax rate reflects the statutory blended tax rate of 27.75% (post main rate of UK corporation tax increasing from 19% to 25% and surcharge rate decreasing from 8% to 3% as of 1 April 2023), tax relief on AT1 coupon payments and a tax credit from the release of provisions for uncertain tax positions. The effective tax rate for 1H22 was reduced by 10.3% by a credit arising from the remeasurement of the group's deferred tax balances following the substantive enactment of legislation to reduce the UK banking surcharge rate from 8% to 3%. The effective tax rate excluding this item in 1H22 was 25.7%.

5 Dividends

On 19 July 2023, the Directors resolved to pay an interim dividend of £948m, that was paid on 22 August 2023, and on 18 October 2023 the Directors resolved to pay an interim dividend of £442m. Each dividend was payable to the ordinary shareholder of the company and were in respect of the financial year ending 31 December 2023. No liability is recognised in the financial statements in respect of these dividends.

Dividends to the shareholder of the company

	Half-year to			
	30 Jun 2023		30 Jun 2022	
	£ per share	**£m**	£ per share	£m
Dividends paid on ordinary shares				
Interim dividend in respect of the previous year	**10,780**	**539**	9,820	491
Interim dividend in respect of the current year	**5,360**	**268**	3,500	175
Total	**16,140**	**807**	13,320	666

Total coupons on capital securities classified as equity

		Half-year to	
		30 Jun 2023	30 Jun 2022
	First call date	**£m**	£m
Undated Subordinated Additional Tier 1 instruments			
– £1,096m	Dec 2019	**50**	31
– £1,100m	Dec 2024	**51**	32
Total		**101**	63

6 Fair values of financial instruments carried at fair value

The accounting policies, control framework and the hierarchy used to determine fair values are consistent with those applied for the *Annual Report and Accounts 2022.*

Financial instruments carried at fair value and bases of valuation

	At 30 Jun 2023				At 31 Dec 2022			
	Valuation techniques				Valuation techniques			
	Quoted market price	**Using observable inputs**	**With significant unobservable input**		Quoted market price	Using observable inputs	With significant unobservable input	
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Recurring fair value measurements								
Assets								
Financial assets mandatorily measured at fair value through profit or loss	**85**	**–**	**33**	**118**	72	–	36	108
Derivatives	**–**	**344**	**–**	**344**	14	532	–	546
Financial investments	**13,788**	**587**	**–**	**14,375**	10,757	175	–	10,932
Liabilities								
Derivatives	**–**	**134**	**–**	**134**	–	304	–	304

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency. There were no transfers between Level 1 and Level 2 during 2023 and 2022.

7 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of loans and advances to banks and customers, deposits by banks, customer accounts, debt securities in issue, subordinated liabilities, non-trading repurchase and reverse repurchase agreements and financial investments are explained on pages 103 and 104 of the *Annual Report and Accounts 2022*.

Fair values of financial instruments not carried at fair value and bases of valuation

	At 30 Jun 2023		At 31 Dec 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£m	**£m**	£m	£m
Assets				
Loans and advances to banks	**11,252**	**11,242**	9,304	9,296
Loans and advances to customers	**199,490**	**194,980**	199,666	195,606
Reverse repurchase agreements – non-trading	**6,781**	**6,781**	7,406	7,406
Financial investments – at amortised cost	**6,908**	**6,338**	5,160	4,772
Liabilities				
Deposits by banks	**12,045**	**12,045**	11,619	11,619
Customer accounts	**266,712**	**266,712**	279,575	279,575
Repurchase agreements – non-trading	**7,659**	**7,659**	9,333	9,333
Debt securities in issue	**1,051**	**1,054**	1,091	1,091
Subordinated liabilities	**13,066**	**13,050**	12,349	11,765

Other financial instruments not carried at fair value are typically short term in nature and repriced to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and balances at central banks and items in the course of collection from and transmission to other banks, all of which are measured at amortised cost.

8 Investments in subsidiaries

Main subsidiaries of HSBC UK Bank plc

	Country of incorporation or registration	**HSBC UK Bank plc's interest in equity capital %**	**Share class**
HSBC Equipment Finance (UK) Limited	**England and Wales**	**100.00**	**Ordinary £1**
HSBC Invoice Finance (UK) Limited	**England and Wales**	**100.00**	**Ordinary £1**
Marks and Spencer Financial Services plc	**England and Wales**	**100.00**	**Ordinary £1**
HSBC Innovation Bank Limited	**England and Wales**	**100.00**	**Ordinary £1**

All the above prepare their financial statements up to 31 December.

On 13 March 2023, HSBC UK acquired Silicon Valley Bank UK Limited (now HSBC Innovation Bank Limited) for £1, acquiring 100% of the equity and thereby obtaining control. On acquisition HSBC UK provided significant initial funding to SVB UK which at 30 June 2023 was £1.6bn.

Impairment testing of investments in subsidiaries

At each reporting period end, HSBC UK Bank plc reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment.

The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use. The value in use is calculated by discounting management's cash flow projections for the investment.

- The cash flow projections for each investment are based on the latest approved forecast profitability plans and minimal capital levels required to support the business operations of each entity and a long-term growth rate is used to extrapolate the cash flows in perpetuity.
- A long-term growth rate is used to extrapolate the free cash flows in perpetuity.
- The growth rate reflects inflation and is based on the long-term average for the UK.
- The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a CAPM and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement.

During 2023, an impairment of £0.1m was recognised on the Company's investment in HSBC Trust Company (UK) Limited, due to a reduction in the net assets of the entity.

No further impairments were recognised as a result of the impairment in subsidiaries test performed in 2023.

9 Provisions

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	£m	£m	£m	£m	£m
Provisions (excluding contractual commitments)					
At 1 Jan 2023	**63**	**32**	**107**	**82**	**284**
Additions	22	1	6	5	34
Amounts utilised	(16)	(2)	(16)	(2)	(36)
Unused amounts reversed	(13)	—	(23)	(9)	(45)
Exchange and other movements	5	—	—	(5)	—
At 30 Jun 2023	**61**	**31**	**74**	**71**	**237**
Contractual commitments[1]					
At 1 Jan 2023					**102**
Net change in expected credit loss provision					(2)
At 30 Jun 2023					**100**
Total provisions					
At 1 Jan 2023					**386**
At 30 Jun 2023					**339**

1 *Contractual commitments include the provision for contingent liabilities measured under IFRS 9 Financial Instruments in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and commitments.*

10 Risk management

The company's activities expose it to a variety of risks. The risks we manage include credit risk, treasury risk, market risk, climate risk, resilience risk, regulatory compliance risk, financial crime and fraud risk, and model risk.

The interim condensed financial statements do not include all risk management information and disclosures required in the annual financial statements. The exposure to our risks and risk management of these are explained in more detail in the Risk section of the Report of the Directors on pages 17 to 28 of the *Annual Report and Accounts 2022.*

There have been no material changes to our policies and practices regarding risk management and governance as described in the *Annual Report and Accounts 2022.*

Summary of credit risk

The following table provides an overview of the company's credit risk exposure.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	At 30 Jun 2023		At 31 Dec 2022	
	Gross carrying/ nominal amount	**Allowance for ECL[1]**	Gross carrying/ nominal amount	Allowance for ECL[1]
	£m	**£m**	£m	£m
Loans and advances to customers at amortised cost	**201,308**	**(1,818)**	201,389	(1,723)
– personal	**136,441**	**(709)**	135,110	(742)
– corporate and commercial	**54,408**	**(1,093)**	55,681	(976)
– non-bank financial institutions	**10,459**	**(16)**	10,598	(5)
Loans and advances to banks at amortised cost	**11,254**	**(2)**	9,306	(2)
Other financial assets measured at amortised cost	**90,973**	**(7)**	108,967	(5)
– cash and balances at central banks	**75,515**	**—**	94,407	—
– items in the course of collection from other banks	**112**	**—**	154	—
– reverse repurchase agreements – non-trading	**6,781**	**—**	7,406	—
– financial investments	**6,908**	**—**	5,160	—
– prepayments, accrued income and other assets[2]	**1,657**	**(7)**	1,840	(5)
Total gross carrying amount on-balance sheet	**303,535**	**(1,827)**	319,662	(1,730)
Loans and other credit-related commitments	**54,089**	**(91)**	54,324	(88)
– personal	**31,396**	**(9)**	31,527	(8)
– corporate and commercial	**21,421**	**(80)**	21,916	(80)
– non-bank financial institutions	**1,272**	**(2)**	881	—
Financial guarantees	**1,076**	**(3)**	1,148	(6)
– personal	**313**	**—**	342	—
– corporate and commercial	**506**	**(3)**	518	(6)
– non-bank financial institutions	**257**	**—**	288	—
Total nominal amount off-balance sheet[3]	**55,165**	**(94)**	55,472	(94)
	358,700	**(1,921)**	375,134	(1,824)

	Fair value	**Memorandum allowance for ECL[4]**	Fair value	Memorandum allowance for ECL[4]
	£m	**£m**	£m	£m
Debt instruments measured at fair value through other comprehensive income	**14,374**	**(1)**	10,932	(1)

1 *Total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.*
2 *Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets', as presented within the balance sheet on page 5, includes both financial and non-financial assets.*
3 *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*
4 *Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.*

Reconciliation of allowances for loans and advances to banks and customers including loan commitments and financial guarantees

The following disclosure provides a reconciliation of the company's allowances for loans and advances to banks and customers, including loan commitments and financial guarantees.

The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying CRR/PD movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item.

The 'new financial assets originated or purchased', 'Changes to risk parameters – further lending/repayment' and 'assets derecognised (including final repayments)' represent the associated allowance ECL impact from volume movements within the company's lending portfolio.

Reconciliation of allowances for loans and advances to banks and customers including loan commitments and financial guarantees

	Total Allowance for ECL £m
At 1 Jan 2023	**(1,820)**
Net remeasurement of ECL arising from transfer of stage	**(18)**
New financial assets originated or purchased	**(72)**
Asset derecognised (including final repayments)	**78**
Changes to risk parameters – further lending/repayment	**71**
Changes to risk parameters – credit quality	**(370)**
Changes to model used for ECL calculation	**6**
Assets written off	**211**
At 30 Jun 2023	**(1,914)**
ECL income statement charge for the period	**(305)**
Recoveries	**26**
Others	**(7)**
Total ECL income statement charge for the period	**(286)**

11 Contingent liabilities, contractual commitments, guarantees and contingent assets

	At 30 Jun 2023 £m	At 31 Dec 2022 £m
Guarantees and other contingent liabilities:		
– financial guarantees:[1]	**1,076**	1,148
– performance and other guarantees	**2,419**	2,530
At the end of the period	**3,495**	3,678
Commitments:[2]		
– documentary credits and short-term trade-related transactions	**65**	52
– forward asset purchases and forward deposits placed	**—**	102
– standby facilities, credit lines and other commitments to lend	**56,714**	57,025
At the end of the period	**56,779**	57,179

1 *Financial guarantees contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts.*

2 *Includes £54bn of commitments at 30 June 2023 (31 December 2022: £68bn), to which the impairment requirements in IFRS 9 are applied where HSBC UK has become party to an irrevocable commitment.*

The preceding table discloses the nominal principal amounts of off-balance sheet liabilities and commitments for the Company, which represents the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements. The expected credit loss provision relating to guarantees and commitments under IFRS 9 is disclosed in Note 9. The majority of the guarantees have a term of less than one year, while guarantees with terms of more than one year are subject to the group's annual credit review process.

Contingent liabilities arising from legal proceedings and regulatory and other matters against the Company are excluded from this note but are disclosed in Note 12.

12 Legal proceedings and regulatory matters

The Company is party to legal proceedings and regulatory matters arising out of its normal business operations. Apart from the matters described below, the Company considers that none of these matters are material:

- litigation in respect of historic PPI sales notwithstanding the FCA deadline for bringing PPI complaints has passed;
- claims issued by two separate investor groups against the Company (as successor to HSBC Private Bank (UK) Limited ('PBGB')) in the High Court of England and Wales in connection with PBGB's role in the development of Eclipse film finance schemes;
- an investigation by the FCA in connection with collections and recoveries operations in the UK;
- an investigation by the PRA in connection with depositor protection arrangements in the UK; and
- a lawsuit brought in the US District Court for the Northern District of California, by First-Citizens Bank & Trust Company ('First Citizens') against various HSBC companies and seven HSBC US employees who had previously worked for Silicon Valley Bank ('SVB') alleging, among other things, that HSBC conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of the pending matters, which could be significant.

The recognition of provisions is determined in accordance with the accounting policies set out in Note 1 of the *Annual Report and Accounts 2022.* While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters at 30 June 2023. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

13 Transactions with related parties

There were no changes to the related party transactions described in the *Annual Report and Accounts 2022* that have had a material effect on the financial position or performance of the Company in the six months ended 30 June 2023. All other related party transactions that took place in the six months ended 30 June 2023 were similar in nature to those disclosed in the *Annual Report and Accounts 2022.*

14 Events after the balance sheet date

In its assessment of events after the balance sheet date the Company has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

On 19 July 2023, the Directors resolved to pay an interim dividend of £948m, that was paid on 22 August 2023, and on 18 October 2023 the Directors resolved to pay an interim dividend of £442m. Each dividend was payable to the ordinary shareholder of the company and were in respect of the financial year ending 31 December 2023. No liability is recognised in the financial statements in respect of these dividends as described in Note 5.

15 Interim condensed financial statements and statutory accounts

The information in these interim condensed financial statements is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. These interim condensed financial statements were approved by the Board of Directors on 18 October 2023. The statutory accounts of HSBC UK Bank plc for the year ended 31 December 2022 have been delivered to the Registrar of Companies in England and Wales in accordance with section 447 of the Companies Act 2006. The Company's auditor, PricewaterhouseCoopers LLP, has reported on those accounts. Its report was unqualified, did not include a reference to any matters to which PwC drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

16 Other information

HSBC UK Bank plc is a public limited company registered in England and Wales with debt securities traded on the London Stock Exchange. The Company is a ring-fenced bank and a wholly owned subsidiary of HSBC Holdings plc. HSBC UK Bank plc's registered office address is:

HSBC UK Bank plc
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

Abbreviations

Currencies	
£	British pound sterling
Abbreviations	
1H22	First half of 2022
A	
AT1	Additional tier 1
C	
CRR	Customer risk rating
CPI	Consumer Price Index
E	
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied
F	
FCA	Financial Conduct Authority (UK)
FVOCI	Fair value through other comprehensive income
G	
Group	HSBC Holdings together with its subsidiary undertakings
H	
HMRC	HM Revenue & Customs
HSBC Holdings	HSBC Holdings plc
I	
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRSs	International Financial Reporting Standards
P	
PD	Probability of default
POCI	Purchased or originated credit impaired
PPI	Payment protection insurance
PRA	Prudential Regulation Authority
PwC	PricewaterhouseCoopers LLP and its network of firms
S	
SVB UK	Silicon Valley Bank UK Limited
U	
UK	United Kingdom
US	United States of America
V	
VAT	Value-added tax

HSBC UK Bank plc

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