

SUPPLEMENTARY LISTING PARTICULARS



HSBC Bank plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

This supplement (the "**Supplement**") to the offering memorandum dated 18 June 2013 relating to the Programme for the Issuance of Notes and Warrants (the "**Offering Memorandum**", which constitutes listing particulars for the purposes of listing on the Official List of the Irish Stock Exchange ("**Listing**") and trading on the Global Exchange Market of the Irish Stock Exchange and, for the avoidance of doubt, which does not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended)) constitutes supplementary listing particulars (pursuant to rule 3.10 of the Global Exchange Market Listing and Admission to Trading – Rules) for the purposes of Listing.

Terms defined in the Offering Memorandum have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Memorandum and any other supplements to the Offering Memorandum prepared by HSBC Bank plc, as issuer (the "**Issuer**") in relation to its Programme for the Issuance of Notes and Warrants.

Application has been made for this Supplement to be approved by the Irish Stock Exchange for the purposes of Listing.

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

The purpose of this Supplement is to:

- Disclose that on 5 August 2013, the Issuer 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 2. Any document incorporated by reference into the Unaudited Consolidated Interim Report does not form part of this Supplement.
- Disclose that B Robertson will retire as the Issuer's Chief Executive and from the Issuer's Board of Directors with effect from 30 September 2013. A M Keir has been appointed his successor as the Issuer's Chief Executive and as a member of its Board of Directors with effect from 1 October 2013.
- Delete the risk factor titled "*Clearing Systems*" in Part A of the Offering Memorandum (which appears on pages A-15 to A-16) in its entirety and replace it with the following:

"Clearing systems

Because Notes and Warrants may be held by or on behalf of the relevant clearing system as specified in the relevant Pricing Supplement investors will be able to trade their interests only through the relevant clearing system. In addition, Notes and Warrants may be issued as Uncertificated Registered Notes or Uncertificated Registered Warrants. CREST will maintain records of the interests in such Notes and Warrants and investors will be able to trade their interests only through CREST. Investors will have to rely on their procedures for transfer, payment and communication with the Issuer to receive payment under the Notes and Warrants.

Investors are therefore subject to the risk of those settlement procedures failing such that payments due under the Notes or Warrants may be delayed and that book entries or entries in the register are entered incorrectly which may lead to difficulties with an investor asserting ownership of its Notes or Warrants.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the global Notes or global Warrants. Holders of interests in the global Notes or global Warrants will not have a direct right to vote in respect of the relevant Notes or Warrants. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies."

- Replace the definition of "Conversion Rate Fixing Date" in Condition 1 (which appears on page B-4) of the Terms and Conditions of the Notes set out in Part B of the Offering Memorandum with the following:

"**Conversion Rate Fixing Date**" means each of the dates specified as such in the relevant Pricing Supplement or if such date is not a Conversion Rate Business Day the immediate following day that is a Conversion Rate Business Day or, if such date is not specified in the relevant Pricing Supplement, the fifth Conversion Rate Business Day prior to the relevant Interest Payment Date, Maturity Date or other date on which the relevant payment falls due (as applicable);".

- Delete Condition 9(f) (*Payments – FX Disruption*) in Part B of the Offering Memorandum (which appears on pages B-27 to B-28) in its entirety and replace it with the following:

"

(f) ***FX Disruption***

If, "FX Disruption" is specified as being applicable in the relevant Pricing Supplement, then, if on any day on which the Calculation Agent is required to determine the Conversion Rate or Underlying Currency Pair Exchange Rate (as applicable) (a "**Scheduled FX Fixing Day**"), a FX Disruption occurs, then such Scheduled FX Fixing Day shall be postponed until the first day after the Scheduled FX Fixing Day on which no FX Disruption occurs (the "**Revised FX Fixing Day**"), provided that if the Revised FX Fixing Day has not occurred within 5 calendar days following the Scheduled FX Fixing Day, then the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue. If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to any terms of the Notes and such adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the Noteholders to receive any amount of interest and/or the Final Redemption Amount at maturity (or any other payment or settlement amount to be made by the Issuer under the Notes) shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of an amount (which may be in the Settlement Currency or such other currency as determined by the Calculation Agent) determined by the Calculation Agent to be the Fair Market Value of the Notes. If the Revised FX Fixing Day would fall on a day which is less than five Relevant Financial Centre Days prior to the Maturity Date, the Calculation Agent will determine the relevant Conversion Rate or the Underlying Currency Pair Exchange Rate (as applicable) in its sole and absolute discretion acting in good faith. Without limiting the obligation of the Calculation Agent to notify the Noteholders of the occurrence of a FX Disruption, failure by the Calculation Agent to notify the Noteholders of the occurrence of a FX Disruption shall not affect the validity of the occurrence and effect of such FX Disruption on the Notes."

- Delete Condition 5(g) (*Exercise Procedure – FX Disruption*) in Part C of the Offering Memorandum (which appears on pages C-16 to C-17) in its entirety and replace it with the following:

"

(g) ***FX Disruption***

If, "FX Disruption" is specified as being applicable in the relevant Pricing Supplement, then, if on any day on which the Calculation Agent is required to determine the Underlying Currency Pair Exchange Rate (a "**Scheduled FX Fixing Day**"), a FX Disruption occurs, then such Scheduled FX Fixing Day shall be postponed until the first day after the Scheduled FX Fixing Day on which no FX Disruption occurs (the "**Revised FX Fixing Day**"), provided that if the Revised FX Fixing Day has not occurred within 5 calendar days following the Scheduled FX Fixing Day, then the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants shall continue. If the Issuer determines that the relevant Warrants shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to any terms of the Warrants and such adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the Warrants shall be terminated, then the Warrants shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the Warrantholders to receive the Cash Settlement Amount or amount of Physical Settlement (or any other payment or settlement amount to be made by the Issuer under the Warrants) shall cease and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of an amount (which may be in the Settlement Currency or such other currency as determined by the Calculation Agent) determined by the Calculation Agent to be the Fair Market Value of the Warrants. If the Revised FX Fixing Date would fall on a day which is less than five Business Days prior to the Cash Settlement Payment Date or Settlement Date, as the case may be, the Calculation Agent will determine the relevant Underlying Currency Pair Exchange Rate in its sole and absolute discretion in good faith. Without limiting the obligation of the Calculation Agent to notify the Warrantholders of the occurrence of a FX Disruption, failure by the Calculation Agent to notify the Warrantholders of the occurrence of a FX Disruption shall not affect the validity of the occurrence and effect of such FX Disruption on the Warrants."

- Re-number Condition 17 (*Third Party Rights*) in Part C of the Offering Memorandum (which appears on page C-23) as Condition 16A such that upon such re-numbering it shall appear as follows in the Offering Memorandum:

"16A **Third Party Rights**

No person shall have any right to enforce any term or condition of the Warrants under the Contracts (Rights of Third Parties) Act 1999."

- Delete each of the following paragraphs:
 - "Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuer programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.";
 - "**The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Notes that are (i) not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).**"; and

- "Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuer programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.",

appearing in the following places in the Offering Memorandum:

- pages B-37" in the *Pro Forma Pricing Supplement for Notes*" in Part B of the Offering Memorandum;
- page E-12 in the *Pro Forma Pricing Supplement for Commodity/Commodity Index-Linked Notes*" in Part E of the Offering Memorandum;
- pages F-34 and F-35 in the *Pro Forma Pricing Supplement for Credit-Linked Notes (Single Name – Unleveraged)*" in Part F of the Offering Memorandum;
- pages F-87 and F-88 in the *Pro Forma Pricing Supplement for Credit-Linked Notes (Single Name – Leveraged)*" in Part F of the Offering Memorandum;
- pages F-139 and F-140 in the *Pro Forma Pricing Supplement for Credit-Linked Notes (Basket)*" in Part F of the Offering Memorandum; and
- pages F-171 and F-172 in the *Pro Forma Pricing Supplement for Emerging Market Credit-Linked Notes*" in Part F of the Offering Memorandum

and replace them with the following corresponding paragraphs:

- "Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.";
- **"The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Notes that are not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).";** and
- "Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005] [2006] [2007] [2008] [2009] [2010] [2011]

[2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom."

- Delete each of the following paragraphs:
 - "Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuer programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.";
 - **"The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Warrants that are (i) not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).";** and
 - "Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[~~2005~~] [~~2006~~] [~~2007~~] [~~2008~~] [~~2009~~] [~~2010~~][~~2011~~][~~2012~~] Conditions"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Warrants. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement, the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuer programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom."

appearing in the following places in the Offering Memorandum:

- pages C-24 and C-25 in the *Pro Forma Pricing Supplement for Warrants*" in Part C of the Offering Memorandum; and
- pages E-38 and E-39 in the *Pro Forma Pricing Supplement for Commodity/Commodity Index-Linked Warrants*" in Part E of the Offering Memorandum

and replace them with the following corresponding paragraphs:

- "Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.";
- **"The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely**

with regard to Warrants that are not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive)."; and

- "Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[~~2005~~] [~~2006~~] [~~2007~~] [~~2008~~] [~~2009~~] [~~2010~~][~~2011~~][~~2012~~] Conditions"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Warrants. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement, the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005] [2006] [2007] [2008] [2009] [2010] [2011] [2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom."
- Delete the reference to "*Condition 2(b)*" appearing in the following places in the Offering Memorandum and replace it with a reference to "*Condition 2*":
 - line item 6(i) on page B-39 in the "*Pro Forma Pricing Supplement for Notes*" in Part B of the Offering Memorandum;
 - line item 6(i) on page E-14 in the "*Pro Forma Pricing Supplement for Commodity/Commodity Index-Linked Notes*" in Part E of the Offering Memorandum;
 - line item 6(i) on page F-36 in the "*Pro Forma Pricing Supplement for Credit-Linked Notes (Single Name – Unleveraged)*" in Part F of the Offering Memorandum;
 - line item 6(i) on page F-90 in the "*Pro Forma Pricing Supplement for Credit-Linked Notes (Single Name – Leveraged)*" in Part F of the Offering Memorandum;
 - line item 6(i) on page F-142 in the "*Pro Forma Pricing Supplement for Credit-Linked Notes (Basket)*" in Part F of the Offering Memorandum; and
 - line item 6(i) on page F-173 in the "*Pro Forma Pricing Supplement for Emerging Market Credit-Linked Notes*" in Part F of the Offering Memorandum.
- Delete the reference to "*Index-Linked Interest Note Provisions*" appearing in the following places in the Offering Memorandum and replace them with "*Index-Linked Interest Note and other variable-linked interest Note provisions*":
 - line item 13 on page B-41 in the "*Pro Forma Pricing Supplement for Notes*" in Part B of the Offering Memorandum;
- Delete the last sub-paragraph in the sub-section titled "*United States of America*" in the "*Purchase and Sale of Warrants*" section of Part C of the Offering Memorandum (which appears on page C-51) in its entirety and replace it with the following:

"In addition, until 40 days after the commencement of the offering of any Tranche of Warrants, an offer or sale of Warrants of such Tranche within the United States by any dealer (whether or not participating in the offering of such Warrants) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A."
- Replace the following parts of Part D of the Offering Memorandum (which appear on pages D-36 to D-65 and D-91 to D-103 (inclusive) of the Offering Memorandum) with the pages set out in Annex 1 hereto, namely:
 - the "*Pro Forma Pricing Supplement for Equity-Linked Notes and Index-Linked Notes*";

- the "*Pro Forma Pricing Supplement for Preference Share-Linked Notes*"; and
- the "*Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants*".

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in or incorporated by reference in the Offering Memorandum prior to the date of this Supplement, the statement in this Supplement will prevail.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Offering Memorandum has arisen or been noted, as the case may be, since the publication of the Offering Memorandum.

22 August 2013

ANNEX 1

**PRO FORMA PRICING SUPPLEMENT FOR EQUITY-LINKED NOTES AND
INDEX-LINKED NOTES**

[When completing any pricing supplement, or adding any other additional terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently whether supplemental listing particulars would be required in respect of such terms or information.]

PRICING SUPPLEMENT

Pricing Supplement dated [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

[Further] Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

[(to be consolidated and form a single series with the existing *[Insert details of existing Tranche(s)]* issued pursuant to HSBC Bank plc's Programme for the Issuance of Notes and Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the pricing supplement ("**Pricing Supplement**") relating to the issue of the Tranche of Notes described herein [for the purposes of listing on the Official List of the Irish Stock Exchange] and must be read in conjunction with the Offering Memorandum dated 18 June 2013 as supplemented from time to time (the "**Offering Memorandum**") [which, together with this Pricing Supplement, constitute listing particulars for the purposes of listing on the Global Exchange Market]. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in such Offering Memorandum.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow the link to 'Investor relations', 'Fixed income securities' 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Notes that are not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).

The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering document with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[2005]/[2006]/[2007]/[2008]/[2009]/[2010]/[2011]/[2012] **Conditions**"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the [2005]/[2006]/[2007]/[2008]/[2009]/[2010]/[2011]/[2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005]/[2006]/[2007]/ [2008]/[2009]/[2010]/[2011]/[2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed

income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

[For Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) AND (B) TO NON-US PERSONS (AS DEFINED IN REGULATIONS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, the Issuer will promptly furnish, upon request of a holder of a Note, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.]

It is advisable that investors considering acquiring any Notes understand the risks of transactions involving the Notes and it is advisable that they reach an investment decision after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Notes will have on their overall investment portfolio) and the information contained in the Offering Memorandum and this Pricing Supplement. Investors should consider carefully the risk factors set forth under "*Risk Factors*" in the Offering Memorandum.

(Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.)

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity/Index-Linked Notes

1. Issuer: HSBC Bank plc
2. Tranche number: []
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Currency:
 - (i) Settlement Currency: [] [subject to Condition 9(h) (*Payments – Conversion*)]
 - (ii) Denomination Currency: [*specify*/Settlement Currency]
4. Aggregate Principal Amount:
 - [(i) Series:] []
 - [(ii) Tranche:] []
5. Issue Price: [[] per cent. of the Aggregate Principal Amount] [plus accrued interest from [*insert date*] (*in the case of fungible interest-bearing issues only, if applicable*)]
6. (i) Denomination(s) (Condition 2): []¹
 - (ii) Calculation Amount²: []
7. (i) Issue Date: []
 - (ii) Interest Commencement Date: [*specify*/ Issue Date/ Not applicable]
8. Maturity Date: (Condition 7(a)) [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In case of undated Notes, specify undated.*] [adjusted in accordance with [*specify*] [*Business Day Convention and any applicable Business Centre(s)*] for the definition of "**Business Day**"]
9. Change of interest or redemption basis: [*Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

10. Fixed Rate Note provisions: (Condition 4) [Applicable/Not applicable] (*If not applicable, delete the remaining sub-*

¹ *If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note - see item 29(iii) below.*

² *The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.*

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity/Index-Linked Notes

paragraphs of this paragraph)

- (i) Rate(s) of Interest: [] per cent. [per annum] [] [payable [annually/semi-annually/quarterly/ monthly] in arrear] []
 - (ii) Interest Payment Date(s): [dd/mm, dd/mm, dd/mm and dd/mm] [in each year]

[adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "**Business Day**" / [not adjusted]
 - (iii) Fixed Coupon Amount(s): [[] per Calculation Amount] [Not applicable]
 - (iv) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Not applicable / other (specify)]
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ Not applicable / other (give details)]
 - (vi) Business Centre(s): [Not applicable/give details]
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)
11. Floating Rate Note provisions: [Applicable/Not applicable] (Condition 5) (If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) [Interest Period(s)] / [Specified Period]³: [specify]
 - (ii) Interest Payment Dates: [specify dates]
 - (iii) First Interest Payment Date: []
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
 - (v) Business Centre(s): [Not applicable/give details]
 - (vi) Screen Rate Determination: [Applicable / Not applicable]
 - (1) Reference Rate: [specify LIBOR or other]
 - (2) Interest Determination Date(s): []
 - (3) Relevant Screen Page: []
 - (4) Relevant Financial Centre: []

³ Select applicable option. "Specified Period" will only be applicable where Floating Rate Convention is applicable. In all other cases, select "Interest Period(s)".

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- (5) Relevant Time: []
 - (6) Relevant Currency: []
 - (vii) ISDA Determination: [Applicable / Not applicable]
 - (1) Floating Rate Option: []
 - (2) Designated Maturity: []
 - (3) Reset Date: []
 - (viii) Margin(s): [[+/-][] per cent. [per annum]] [Not applicable]
 - (ix) Day Count Fraction: []
 - (xi) Minimum Interest Rate: [[] per cent. [] [per annum]] [Not applicable]
 - (xii) Maximum Interest Rate: [[] per cent. [] [per annum]] [Not applicable]
 - (xiii) Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
12. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [[] per cent [per annum]]
 - (ii) Zero Coupon Note Reference Price: []
 - (iii) Day Count Fraction in relation to Early Redemption Amounts and last payments: []
13. Index-Linked Interest Note and other variable-linked interest Note provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/formula/other variable: *[give or annex details – if appropriate, cross-refer to the definition of Valuation Date in paragraph 31 below]*
 - (ii) Provisions for determining interest where calculated by reference to Index and/or formula and/or other variable: []
 - (iii) Provisions for determining interest where calculation by reference to Index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: []
[Need to include a description of market disruption or settlement disruption events and adjustment provisions]

- (iv) Interest or calculation period(s): []
- (v) Interest Payment Dates: []
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
- (vii) Business Centre(s): []
- (viii) Minimum Interest Rate: [[] per cent. [per annum]]
- (ix) Maximum Interest Rate: [[] per cent. [per annum]]
- (x) Day Count Fraction: []

PROVISIONS RELATING TO REDEMPTION

- 14. Issuer's optional redemption (Call Option): [Applicable/Not applicable] (*Condition 7(c)*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
 - (i) Redemption Amount (Call Option): [[] per Calculation Amount (*specify — if not par, also specify details of any formula*)] [Fair Market Value]
 - (ii) Series redeemable in part: [[] per Calculation Amount (*specify — otherwise redemption will only be permitted of entire Series*)] [Fair Market Value]
 - (iii) Optional Redemption Date (Call Option): []
 - (iv) Minimum Redemption Amount (Call Option): [[] per Calculation Amount (*specify — if not par, also specify details of any formula*)] [Fair Market Value] [Not applicable]
 - (v) Maximum Redemption Amount (Call Option): [[] per Calculation Amount (*specify — if not par, also specify details of any formula*)] [Fair Market Value] [Not applicable]

- 15. Noteholder's optional redemption (Put Option): [Applicable/Not applicable] (*Condition 7(d)*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
 - (i) Redemption Amount (Put Option): [[] per Calculation Amount / (*specify — if not par, also specify details of any formula*)] [Fair Market Value]
 - (ii) Optional Redemption Date (Put Option): []
 - (iii) Minimum Redemption Amount (Put Option): [[] per Calculation Amount / (*specify — if not par, also specify details of any formula*)] [Fair Market Value] [Not applicable]
 - (iv) Maximum Redemption Amount (Put Option): [[] per Calculation Amount / (*specify — if not par, also specify details of any formula*)] [Fair Market Value] [Not applicable]

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16. Final Redemption Amount of each Note: per Calculation Amount (*specify — if not par, also specify details of any formula*)
(Condition 7(a))
17. Final Redemption Amount of each Note in cases where the Final Redemption Amount is Equity-Linked, Index-Linked or other variable-linked: [Applicable/Not applicable]
- (i) Index/formula/other variable: [*give annex details*]
- (ii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or formula and/or other variable; []
- (iii) Provisions for determining Final Redemption Amount where calculation by reference to Equity Index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: [*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (iv) Minimum Final Redemption Amount []
- (v) Maximum Final Redemption Amount: []
18. Instalment Notes: [Not applicable] [Applicable]
(Condition 7(a)) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

Instalment Date(s) and corresponding Instalment:

<i>Instalment Date</i>	<i>Instalment Amount</i>
[]	[]

19. Early Redemption Amount:
- (i) Early Redemption Amount (upon redemption for taxation reasons, illegality or following an Event of Default): [[100] per cent. of the Calculation Amount] [Fair Market Value] [*other (specify details)*]
(Conditions 7(b), 7(f) or 11)
- (ii) Other redemption provisions: [[100] per cent. of the Calculation Amount] [Fair Market Value] [Not applicable] [*other (specify details)*]
(Condition 7(i))

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. Form of Notes: (Condition 2(a))
- (i) Form of Notes: [Bearer Notes/Registered Notes/ Uncertificated Registered Notes]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]

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21. [New Global Note] [(delete if Registered Note)]/ Issued under the new safekeeping structure [(delete if Bearer Note)]: [Yes/No]
22. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [Temporary] [Permanent] Global Note
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: (Condition 2(a)) [Yes] [No] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in limited circumstances specified in the Permanent Global Note] [(specify)]
- (iii) Permanent Global Note exchangeable at the option of the Issuer in circumstances where the Issuer would suffer material disadvantage following a change of law or regulation: [Yes] [No] [If no, specify: The Issuer waives its right to elect to exchange a Permanent Global Note for Definitive Notes in the circumstances described in paragraph (d) of the Permanent Global Note.]
- (iv) Coupons to be attached to Definitive Notes:⁴ [Yes] [No] [Not applicable]
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes:⁵ [Yes/No/Not applicable]
[N.B. The above comment also applies here]
23. Exchange Date for exchange of Temporary Global Note: [Not earlier than 40 days after the Issue Date] [(specify)]
24. Payments:
 (Condition 9)
- (i) Relevant Financial Centre Day: [specify all places]
- (ii) Payment of Alternative Payment Currency Equivalent:
- Settlement Currency Jurisdiction: []
- Alternative Payment Currency: []
- Alternative Payment Currency Jurisdiction: []
- Alternative Payment Currency Fixing Page: []

⁴ Definitive Notes will typically have coupons attached to them if interest bearing.

⁵ Talons will be needed if there are 27 or more coupons.

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- Alternative Payment Currency Fixing Time: []
- Alternative Payment Currency Exchange Rate Fall-Back provisions: [] [Condition 1 applies]
- Offshore RMB Centre: [Hong Kong] [Taiwan] [Singapore] [] [Not applicable]
- (iii) Conversion provisions: [Applicable in respect of [[interest payments under the Notes]][Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount][*other*]] [the Conversion Rate is []] [*specify further Conversion provisions*][Not applicable]
- Conversion Rate Business Days: [in respect of [[interest payments under the Notes]][Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*] [] [Condition 1 applies]]
- Conversion Rate Fixing Date: [in respect of [[interest payments under the Notes] [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*][]]
- Conversion Rate Fixing Page: [in respect of [[interest payments under the Notes] [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*][]] [Condition 1 applies]]
- Conversion Rate Fixing Time: [in respect of [[interest payments under the Notes] [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*] []]
- Denomination Currency Jurisdiction: [in respect of [[interest payments under the Notes] [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*] []]
- Settlement Currency Jurisdiction: [in respect of [[interest payments under the Notes] [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount Call Option] [Redemption Amount Put Option] [Instalment Amount] [*other*][]]
- Conversion Rate Fall-Back provisions: [] [Condition 1 applies]
- (iv) Underlying Currency Pair provisions: [Applicable in respect of [[interest payments under the Notes] [Final Redemption Amount]] [The Initial Underlying Currency Pair Exchange Rate is []]][Not applicable]

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- Reference Currenc(y)(ies): [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [and []]
- Reference Currency Jurisdiction(s): [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [and []]
- Specified Currenc(y)(ies): [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [and []]
- Underlying Currency Pair Business Days: [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [Condition 1 applies]
- Underlying Currency Pair Fixing Date: [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [and []]
- Underlying Currency Pair Fixing Page: [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [Condition 1 applies]
- Underlying Currency Pair Fixing Time: [in respect of [interest payments under the Notes]
[Final Redemption Amount] [] [and []]
- Underlying Currency Pair Exchange Rate Fall-Back provisions: [] [Condition 1 applies]
- (v) FX Disruption: [Applicable] [Not applicable]
- 25. Redenomination: [Applicable/Not applicable]
(Condition 10)
- 26. Other terms: [Not applicable/specify/See Annex]
(When adding any other terms consideration should be given as to whether supplementary listing particulars would be required.)

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, EQUITY-LINKED NOTES

- 27. Physical Delivery: [Not applicable] [Condition 22(b) [applies/does not apply]
- (i) Securities Transfer Amount: []
- (ii) Residual Amount: [] [Condition 22(a) applies]
- (iii) Residual Cash Amount: [] [Condition 22(a) applies]
- (iv) Settlement Date: []
- (v) Settlement Disruption Event: Condition 22(b)(iii) [applies/does not apply]
- (vi) Disruption Period: [Condition 22(b)(iii) applies] []
- (vii) Delivery Disruption Event: Condition 22(a) [applies/does not apply]
- 28. (i) Provisions for Equity-Linked Notes: [Applicable] [Not applicable]
[The Securities are Depositary Receipts]
[Units in a Fund, where "Fund" means [], "Unit" means a share or notional unit of the Fund (as defined in the Fund Documents), the price of which is denominated

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in []. [The Units represent undivided ownership interests in the portfolio of investments held by the Fund][*delete if not applicable*], "**Underlying Index**" means []. Condition 22 shall apply to the Notes as if references therein to "**Underlying Company**" were references to the "**Fund**" and as if references therein to "**Security**" were references to "**Unit**".

- (ii) Underlying Company(ies): [] [and with respect to the Underlying Securities [] [The Fund]
 - (iii) Exchange(s): []
 - (iv) Related Exchange(s): [] [All Exchanges]
 - (v) Initial Price: [] [The definition in Condition 22(a) applies]
 - (vi) Strike Date: [] [The definition in Condition 22(a) applies]
 - (vii) Final Price: [] [The definition in Condition 22(a) applies]
 - (viii) Reference Price: [] [The definition in Condition 22(a) applies]
 - (ix) Potential Adjustment Event: Condition 22(g)(i) [applies/does not apply]
 - Extraordinary Dividend (if other than as specified in the definition in Condition 22(a)) []
 - additional Potential Adjustment Event (for purposes of paragraph (viii) of the definition thereof) []
 - (x) Extraordinary Event: Condition 22(g)(ii) [applies/does not apply]
 - (xi) Conversion: (for Notes relating to Government Bonds and debt securities only) Condition 22(g)(iii) [applies/does not apply]
 - (xii) Correction of prices: Condition 22(g)(iv) [applies/does not apply]
 - (xiii) Additional Disruption Event [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging, Insolvency Filing, Failure to Deliver] [*other - give details*]] [Not applicable]
29. Additional provisions for Equity-Linked Notes: []
30. Index-Linked Interest Note and other variable-linked interest Note provisions: [Applicable] [Not applicable]
- (i) Index(ices): [] [The Index. Each of (*specify relevant indices in a basket*) [] is a Multiple Exchange Index]
 - (ii) Index Sponsor: [] [The definition in Condition 22(a) applies]

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- (iii) Index Rules: [] [Not applicable]
- (iv) Exchange(s): []
- (v) Related Exchange(s): [] [All Exchanges]
- (vi) Initial Index Level: [] [The definition in Condition 22(a) applies]
- (vii) Final Index Level: []
- (viii) Strike Date: []
- (ix) Reference Level: [] [The definition in Condition 22(a) applies]
- (x) Adjustments to Indices: [Condition 22(f)] / [Condition 22(j)] [applies/does not apply]
- (xi) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [Other - give details]] [Not applicable]
- (xii) Index Substitution: [Applicable/Not applicable]
31. Valuation Date(s): []
32. Valuation Time: [] [The definition in Condition 21(a) applies]
33. Averaging Dates: [] [Not applicable]
- (i) Averaging Date Market Disruption: [Omission]/[Postponement]/[Modified Postponement]/[Not applicable]/[other (specify)]
34. Other terms or special conditions relating to Index-Linked Notes or Equity-Linked Notes: [specify] [Not applicable]
- (i) Knock-in Event: [Applicable] [Specify event or occurrence] [If the [Final Price] [Reference Price] [Final Index Level] [Reference Level] [] as observed by the Calculation Agent [as of the Valuation Time] [continuously] [] [on a Knock-In Determination Day] is [greater than] [greater than or equal to] [less than] [less than or equal to] the relevant Knock-in [Price] [Level]] [Not applicable]
- Knock-in Determination Day: [] [Condition 22(a) applies]
- Knock-in Determination Period: [Applicable] [Not applicable]
- Knock-in Period Beginning Date: [] [Not applicable]
- Knock-in Period Ending Date: [] [Not applicable]
- Knock-in Price/ Knock-in Level: []
- Knock-in Amount: []

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- Knock-in Amount [] [Maturity Date]
Payment Date:

- (ii) Knock-out Event: [Applicable] [(specify event or occurrence)] [If the [Final Price] [Reference Price] [Final Index Level] [Reference Level] as observed by the Calculation Agent [as of the Valuation Time] [continuously] [] [on a Knock-out Determination Day] is [greater than] [greater than or equal to] [less than] [less than or equal to] the relevant knock-out [Price] [Level]] [Not applicable]

- Knock-out Determination Day: [] [Condition 22(a) applies]

- Knock-out Determination Period: [Applicable] [Not applicable]

- Knock-out Period Beginning Date: [] [Not applicable]

- Knock-out Period Ending Date: [] [Not applicable]

- Knock-out Price/ Knock-out Level: []

- Knock-out Amount: []

- Knock-out Amount Payment Date: [] [Maturity Date]

- (iii) Automatic Early Redemption Event: [Applicable] [If the [specify relevant security price or index level] is [greater than] [greater than or equal to] [less than] [less than or equal to] the relevant Automatic Early Redemption [Price] [Level]] [Not applicable]

Automatic Early Redemption Valuation Date	Automatic Early Redemption Date	Automatic Early Redemption Rate	Automatic Early Redemption Date [Level] [Price]
[]	[]	[]	[]

- Automatic Early Redemption Amount: [] [as per Condition 22(a)]

[PROVISIONS APPLICABLE TO INFLATION RATE-LINKED NOTES ONLY]

- 35. (i) Related Bond: [Applicable/Not applicable] (if applicable and nothing further is specified, then it will be the Fallback Bond)

- (ii) Issuer of Related Bond: [Applicable/Not applicable] (if applicable, specify))

DISTRIBUTION

- 36. (i) If syndicated, names of Relevant Dealer(s)/Lead Manager(s): [Not applicable/HSBC Bank plc/other - give name]

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- (ii) If syndicated, names [, addresses and underwriting commitments] of other Dealers/Managers (if any): [Not applicable/other - give name]
[(Give addresses and underwriting commitments)]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
37. Selling restrictions: [For Bearer Notes: TEFRA C Rules/ TEFRA D Rules/TEFRA Not applicable]
- United States of America: [Notes may not be offered or sold within the United States of America or, to or for the account or the benefit of, a US person (as defined in Regulation S)]

[Notes may be offered or sold within the United States of America or to, or for the account or the benefit of, a US person (as defined in Regulation S) only in compliance with the provisions set forth under "*Transfer Restrictions.*"]
- Exemption(s) from requirements under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**"): [Not applicable. This offer is made exclusively to investors outside the European Economic Area [The denomination of the Notes is greater than or equal to EUR100,000 (or equivalent amount in another currency)]/[The offer is addressed solely to qualified investors (as such term is defined in the Prospectus Directive)]/[The offer is addressed to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive)]/[The offer is addressed to investors who will acquire Notes for a consideration of at least EUR100,000 (or equivalent amount in another currency) per investor for each separate offer]
- Additional selling restrictions: [*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]

[In offers of Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of this Pricing Supplement and the accompanying Offering Memorandum, will be deemed to have represented and agreed with respect to such Notes as follows:

- (a) such 144A Offeree acknowledges that this Pricing Supplement and the accompanying Offering Memorandum is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Pricing Supplement and the accompanying Offering Memorandum, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- (b) such 144A Offeree agrees to make no photocopies of this Pricing Supplement and the accompanying Offering Memorandum or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "*Summary of Provisions relating to the Notes while in Global Form*" in the accompanying Offering Memorandum) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]⁶ HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "**QUALIFIED INSTITUTIONAL BUYERS**" (AS DEFINED IN RULE 144A UNDER THE

⁶ To be included if the underlying securities have not been registered under the Securities Act.

SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

UNLESS OTHERWISE PROVIDED IN ANY SUPPLEMENTAL LISTING PARTICULARS OR APPLICABLE PRICING SUPPLEMENT, EACH PURCHASER OR TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED AND AGREED EITHER THAT (I) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE) (A) AN "**EMPLOYEE BENEFIT PLAN**" AS DESCRIBED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "**PLAN**" AS DESCRIBED IN SECTION 4975(E)(1) OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO WHICH SECTION 4975 OF THE CODE APPLIES, (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, "**PLAN ASSETS**" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR (D) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY US FEDERAL, STATE OR LOCAL LAW OR NON-US LAW ("**SIMILAR LAW**") THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (A "**SIMILAR LAW PLAN**"), OR (II) IT IS A SIMILAR LAW PLAN (THAT IS NOT A BENEFIT PLAN INVESTOR) AND ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in items (B) or (C) of the second paragraph of the legend set forth above. See "*Summary of Provisions relating to the Notes While in Global Form*" in the accompanying Offering Memorandum.]

CONFIRMED

HSBC BANK PLC

By:
Authorised Signatory

Date:

PART B - OTHER INFORMATION

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Irish Stock Exchange. No assurance can be given as to whether or not, or when, such application will be granted]

[Not applicable]

(ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading on the Global Exchange Market with effect from the [Issue Date] []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)¹

(iii) Estimated total expenses of admission to trading: [specify amount] [Not applicable]

2. RATINGS

Ratings: [The Notes are not rated.] [The Notes [have been][are expected on issue to be] rated [./:]]

[Standard & Poor's Credit Market Services Europe Limited: []]

[Moody's Investors Service Limited: []]

[Fitch Ratings Limited: []]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Dealer(s)] [[Lead] Manager(s)], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue. The [Dealer(s)] [[Lead] Manager(s)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not applicable]

4. REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: []

(If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

¹ Not required for debt securities with a denomination per unit of at least EUR 100,000.

(ii) Estimated net proceeds: []² (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses: (Include breakdown of expenses)³

5. **[Fixed Rate Notes only - YIELD**

Indication of yield: [Calculated as (include details of method of calculation in summary form) on the Issue Date]⁴

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

6. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained).

OPERATIONAL INFORMATION

7. ISIN Code: [[]/Not applicable]

8. Common Code: [[]/Not applicable]

9. CUSIP: [[]/Not applicable]

10. Valoren Number: [[]/Not applicable]

11. SEDOL: [[]/Not applicable]

12. WKN: [[]/Not applicable]

13. Intended to be held in a manner which would allow Eurosystem eligibility:⁵ [Yes] [No]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg[, and registered in the name of a nominee of one of Euroclear or Clearstream Luxembourg acting as common safekeeper [(include this text for Registered Notes)]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] (include this text if "yes" selected in which case the bearer Notes must be issued in NGN form)

² Not required for debt securities with a denomination per unit of at least EUR 100,000.

³ Not required for debt securities with a denomination per unit of at least EUR 100,000.

⁴ Not required for debt securities with a denomination per unit of at least EUR 100,000.

⁵ Under current ECB requirements, in order to be eligible as collateral a security must, amongst other things, be denominated in Euros and listed on a regulated market or certain non-regulated markets such as STEP and Luxembourg EUR MTF. Accordingly, choose "No" if the Notes are not denominated in Euro or not listed on regulated market or any of the relevant non-regulated market as specified in

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity/Index-Linked Notes

14. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [CREST]/[None]/[specify other]
15. Delivery: Delivery [against/free of] payment
16. Settlement procedures: [Eurobond]/[Medium Term Note]/[other (specify)]
17. Additional Paying Agent(s) (if any): [None]/[specify]
18. Common Depositary: [HSBC Bank plc]/[Not applicable]
19. Calculation Agent: [HSBC Bank plc] [HSBC France] [specify]
20. City in which specified office of Registrar to be maintained: [London]/[Not applicable]/[specify]
(Condition 15)
21. ERISA Considerations: [The Notes may not be purchased by "benefit plan investors". See "Certain ERISA Considerations" in the Offering Memorandum for further information.]/[give details] [Not applicable]

PRO FORMA PRICING SUPPLEMENT FOR PREFERENCE SHARE-LINKED NOTES

[When completing any pricing supplement, or adding any other terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently whether supplemental listing particulars would be required in respect of such terms or information.]

PRICING SUPPLEMENT

Pricing Supplement dated: [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

[Further] Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

[(to be consolidated and form a single series with the existing *[Insert details of existing Tranche(s)]*) issued pursuant to HSBC Bank plc's Programme for the Issuance of Notes and Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the pricing supplement ("**Pricing Supplement**") relating to the issue of the Tranche of Notes described herein [for the purposes of listing on the Official List of the Irish Stock Exchange] and must be read in conjunction with the Offering Memorandum dated 18 June 2013 as supplemented from time to time (the "**Offering Memorandum**") [which, together with this Pricing Supplement, constitute listing particulars for the purposes of listing on the Global Exchange Market.] Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in such Offering Memorandum.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Notes that are not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).

The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering document with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "[2005]/[2006]/[2007]/[2008]/[2009]/[2010]/[2011]/[2012] **Conditions**"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the [2005]/[2006]/[2007]/[2008]/[2009]/[2010]/[2011]/[2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005]/[2006]/[2007]/[2008]/[2009]/[2010]/[2011]/[2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

It is advisable that investors considering acquiring any Notes understand the risks of transactions involving the Notes and it is advisable that they reach an investment decision after carefully considering, with their

financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Notes will have on their overall investment portfolio) and the information contained in the Offering Memorandum and this Pricing Supplement. Investors should consider carefully the risk factors set forth under "Risk Factors" in the Offering Memorandum.

(Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.)

1. Issuer: HSBC Bank plc
2. Tranche number: []
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Currency
 - (i) Settlement Currency: [] [Subject to Condition 9(h) (*Payments – Conversion*)]
 - (ii) Denomination Currency: []
4. Aggregate Principal Amount:
 - [(i) Series:] []
 - [(ii) Tranche:] []
5. Issue Price: [[] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (*in the case of fungible interest-bearing issues only, if applicable*)]
6. (i) Denomination(s) (Condition 2): []¹
 - (ii) Calculation Amount²: []
7. (i) Issue Date: [*specify*/Issue Date/Not applicable]
8. Maturity Date: (Condition 7(a)) [[] - *i.e. date scheduled to fall two Business Days after the Valuation Date or, if later, [two] Business Days after the Valuation Date.*]
9. Change of interest or redemption basis: [*(Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis)*]

¹ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note - see item 29(iii) below.

² The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

PROVISIONS RELATING TO REDEMPTION

10. Final Redemption Amount of each Note:
(Condition 7(a))

[[Calculation Amount]

$$\times \frac{\text{Share Value}_{\text{final}}}{\text{Share Value}_{\text{initial}}}$$

per Calculation Amount

Where:

"Share Value_{final}" means the Preference Share Value on the Valuation Date; and

"Share Value_{initial}" means the Preference Share Value on the Initial Valuation Date.

11. Early Redemption Amount:

Yes

- (i) Early Redemption Amount (upon redemption for taxation reasons, following redemption at the option of the Issuer, following an event of default, following the occurrence of a Preference Share Early Redemption Event, an Extraordinary Event or Additional Disruption Event)

Per Calculation Amount, an amount in [*specify currency of payment*] calculated by the Calculation Agent on the same basis as the Final Redemption Amount except that the definition of Share Value_{final} shall be the Preference Share Value on the day falling [*two*] Business Days before the due date for early redemption of the Notes.

- (ii) Other redemption provisions: (Condition 7(i))

[[] per Calculation Amount (*specify - if not par, also specify details of any formula*) / Not applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

12. Form of Notes:

(Condition 2(a))

- (i) Form of Notes: [Bearer Notes/Registered Notes/ Uncertificated Registered Notes]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]

13. [New Global Note] [*delete if Registered Note*]/ Issued under the new safekeeping structure [*delete if Bearer Note*]:

[Yes/No]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Preference Share-Linked Notes

14. If issued in bearer form:
- (i) Initially represented by a [Temporary] [Permanent] Global Note Temporary Global Note or Permanent Global Note:
 - (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: [Yes] [No] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in limited circumstances specified in the Permanent Global Note] [(specify)] (Condition 2(a))
 - (iii) Permanent Global Note exchangeable at the option of the Issuer in circumstances where the Issuer would suffer material disadvantage following a change of law or regulation: [Yes] [No] [If no, specify: The Issuer waives its right to elect to exchange a Permanent Global Note for Definitive Notes in the circumstances described in paragraph (d) of the Permanent Global Note.]
 - (iv) Coupons to be attached to Definitive Notes:³ [Yes] [No] [Not applicable] [N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]
 - (v) Talons for future Coupons to be attached to Definitive Notes:⁴ [Yes/No/Not applicable] [N.B. The above comment also applies here]
15. Exchange Date for exchange of Temporary Global Note: [Not earlier than 40 days after the Issue Date] [(specify)]
16. Payments: (Condition 9)
- (i) Relevant Financial Centre Day: [specify all places]
 - (ii) Payment of Alternative Payment Currency Equivalent: [Applicable] [Not Applicable]
 - Settlement Currency Jurisdiction: []
 - Alternative Payment Currency: []
 - Alternative Payment Currency Jurisdiction: []
 - Alternative Payment Currency Fixing Page: []
 - Alternative Payment Currency Fixing Time: []
 - Alternative Payment Currency Exchange Rate Fall-Back provisions: [] [Condition 1 applies]

³ Definitive Notes will typically have coupons attached to them if interest bearing.

⁴ Talons will be needed if there are 27 or more coupons.

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Preference Share-Linked Notes

- Offshore RMB Centre: [Hong Kong] [Taiwan] [Singapore] [] [Not applicable]
- (iii) Conversion provisions: [Applicable in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] [the Conversion Rate is []]*specify further Conversion provisions*][Not applicable]
- Conversion Rate Business Days: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] [] [Condition 1 applies]
- Conversion Rate Fixing Date: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] []
- Conversion Rate Fixing Page: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] [] [Condition 1 applies]
- Conversion Rate Fixing Time: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] []
- Denomination Currency Jurisdiction: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] []
- Settlement Currency Jurisdiction: [in respect of [Final Redemption Amount] [Early Redemption Amount] *other*] []
- Conversion Rate Fall-Back provisions: [] [Condition 1 applies]
- (iv) FX Disruption: [Applicable] [Not applicable]
- 17. Redenomination: [Applicable/Not applicable]
(*Condition 10*)
- 18. Other terms: [Not applicable/*specify*/See Annex]
(*When adding any other terms consideration should be given as to whether supplementary listing particulars would be required.*)

PROVISIONS APPLICABLE TO PREFERENCE SHARE-LINKED NOTES

- 19. Provisions for Preference Share-Linked Notes:
 - (i) Preference Shares: []
 - (ii) Preference Share Issuer: []
 - (iii) Initial Valuation Date: The Issue Date
 - (iv) Valuation Date: [means the [eighth] Business Day following the Preference Share Valuation Date]
 - (v) Preference Share Valuation Date: []
 - (vi) Valuation Time: []
 - (vii) Extraordinary Event: Condition 23(c) [applies/does not apply]
(*insert any additional Extraordinary Events*)

- (viii) Additional Disruption Event: [Condition 23(d) [applies /does not apply]. The following Additional Disruption Events apply: [Change in Law and/or Insolvency Filing]
20. Additional provisions for Preference Share-Linked Notes: []

DISTRIBUTION

21. (i) If syndicated, names [,]⁵ of Relevant Dealer(s)/Lead Manager(s): [Not applicable/HSBC Bank plc/other - give name]
(Give addresses and underwriting commitments)
- (ii) If syndicated, names [, addresses and underwriting commitments] of other Dealers/Managers (if any): [Not applicable/other - give name]
(Give addresses and underwriting commitments)
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
22. Selling restrictions: [For Bearer Notes: TEFRA C Rules/ TEFRA D Rules/TEFRA Not applicable]
- United States of America: [Notes may not be offered or sold within the United States of America or, to or for the account or the benefit of, a US person (as defined in Regulation S)]
[Notes may be offered or sold within the United States of America or to, or for the account or the benefit of, a US person (as defined in Regulation S) only in compliance with the provisions set forth under "Transfer Restrictions."]
- Exemption(s) from requirements under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**"): [Not applicable. This offer is made exclusively to investors outside the European Economic Area/[The denomination of the Notes is greater than or equal to EUR100,000 (or equivalent amount in another currency)]/[The offer is addressed solely to qualified investors (as such term is defined in the Prospectus Directive)]/[The offer is addressed to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive)]/[The offer is addressed to investors who will acquire Notes for a consideration of at least EUR100,000 (or equivalent amount in another currency) per investor for each separate offer]
- Additional selling restrictions: [specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement]

⁵

Not required for debt securities with a denomination per unit of at least EUR 100,000.

CONFIRMED

HSBC BANK PLC

By:
Authorised Signatory

Date:

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Irish Stock Exchange. No assurance can be given as to whether or not, or when, such application will be granted]
- [Not applicable]
- (ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading on the Global Exchange Market] with effect from [[the Issue Date] []]. No assurance can be given as to whether or not, or when, such application will be granted.] [Not applicable]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)⁶*
- (iii) Estimated total expenses of admission to trading: [(specify amount)] [Not applicable]

2. RATINGS

- Ratings: [The Notes are not rated.] [The Notes [have been][are expected on issue to be] rated [./:]]
- [Standard & Poor's Credit Market Services Europe Limited: []]
- [Moody's Investors Service Limited: []]
- [Fitch Ratings Limited: []]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Dealer(s)] [[Lead] Manager(s)], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue. The [Dealer(s)] [[Lead] Manager(s)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not applicable]

4. REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: []
- (If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) Estimated net proceeds: []⁷ *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

⁶ Not required for debt securities with a denomination per unit of at least EUR 100,000.

⁷ Not required for debt securities with a denomination per unit of at least EUR 100,000.

(iii) Estimated total expenses: *(Include breakdown of expenses)*⁸

(If the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, (i.e. if the Final Redemption amount may be less than 100 per cent of the nominal value of the Notes), it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

5. PERFORMANCE OF THE PREFERENCE SHARES AND OTHER INFORMATION CONCERNING THE PREFERENCE SHARES AND THE PREFERENCE SHARE UNDERLYING

The Preference Share-Linked Notes relate to the [] preference shares relating to [] of the Preference Share Issuer.

The Preference Share Value will be published on each [Business Day] on [] page [].

The performance of the Preference Shares depends on the performance of the relevant underlying asset(s) or basis of reference to which the Preference Shares are linked (the "**Preference Share Underlying**"). The Preference Share Underlying is *[insert details of the relevant underlying asset(s) or basis of reference to which the Preference Shares relate e.g. FTSE 100]*. Information on the Preference Share Underlying (including past and future performance and volatility) is published on [].

OPERATIONAL INFORMATION

6. ISIN Code: []/Not applicable
7. Common Code: []/Not applicable
8. CUSIP: []/Not applicable
9. SEDOL: []/Not applicable
10. Intended to be held in a manner which would allow Eurosystem eligibility:⁹ [Yes] [No]

⁸ Not required for debt securities with a denomination per unit of at least EUR 100,000.

⁹ Under current ECB requirements, in order to be eligible as collateral a security must, amongst other things, be denominated in Euros and listed on a regulated market or certain non-regulated markets such as STEP and Luxembourg EUR MTF. Accordingly, choose "No" if the Notes are not denominated in Euro or not listed on regulated market or any of the relevant non-regulated market as specified in Chapter 6 of the ECB's February 2011 "The Implementation of Monetary Policy in the Euro Area - General Documentation on Eurosystem monetary policy instruments and procedures" brochure.

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro forma Pricing Supplement for Preference Share-Linked Notes

(Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg[, and registered in the name of a nominee of one of Euroclear or Clearstream Luxembourg acting as common safekeeper [(include this text for Registered Notes)]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.) [include this text if "yes" selected in which case the bearer Notes must be issued in NGN form)

- | | |
|--|---|
| 11. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [CREST]/[None]/[specify other] |
| 12. Delivery: | Delivery [against/free of] payment |
| 13. Settlement procedures: | [Eurobond]/[Medium Term Note]/[other (specify)] |
| 14. Additional Paying Agent(s) (if any): | [None]/[specify] |
| 15. Common Depositary: | [HSBC Bank plc]/[Not applicable] |
| 16. Calculation Agent: | [HSBC Bank plc] [HSBC France] [specify] |
| 17. City in which specified office of Registrar to be maintained:
(Condition 15) | [London]/[Not applicable]/[specify] |

PRO FORMA PRICING SUPPLEMENT FOR EQUITY-LINKED WARRANTS AND INDEX-LINKED WARRANTS

[When completing any pricing supplement, or adding any other terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently whether supplemental listing particulars would be required in respect of such terms or information.]

PRICING SUPPLEMENT

Pricing Supplement dated [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

[Further] Issue of

[Number of Warrants]

[Title of Warrants]

[(to be consolidated and form a single series with the existing *[Insert details of existing Tranche(s)]*) issued pursuant to HSBC Bank plc's Programme for the Issuance of Notes and Warrants]

PART A – CONTRACTUAL TERMS

This document constitutes the pricing supplement ("**Pricing Supplement**") relating to the issue of the Tranche of Warrants described herein [for the purposes of listing on the Official List of the Irish Stock Exchange] and must be read in conjunction with the Offering Memorandum dated 18 June 2013 as supplemented from time to time (the "**Offering Memorandum**") [which, together with this Pricing Supplement, constitute listing particulars for the purposes of listing on the Global Exchange Market]. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Warrants (the "**Conditions**") set forth in such Offering Memorandum.

Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

The Offering Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC as amended (the "Prospectus Directive"). The Offering Memorandum has been prepared solely with regard to Warrants that are not to be admitted to listing or trading on any regulated market for the purposes of Directive 2004/39/EC and not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).

The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering document with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions (the "**[2005/2006/2007/2008/2009/2010/2011/2012] Conditions**"), which are defined in, and incorporated by reference into, the Offering Memorandum and which are applicable to the Warrants. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement, the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions and the Offering Memorandum. The Offering Memorandum and the [2005/2006/2007/2008/2009/2010/2011/2012] Conditions are available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

(For Warrants offered and sold in the United States of America include:

[IMPORTANT NOTICES

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE WARRANTS ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO "**QUALIFIED INSTITUTIONAL BUYERS**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) AND (B) TO NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF WARRANTS PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("**RSA 421-B**") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Warrants, the Issuer will promptly furnish, upon request of a holder of a Warrant, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.]

It is advisable that investors considering acquiring any Warrants understand the risks of transactions involving the Warrants and it is advisable that they reach an investment decision after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Warrants in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Warrants will have on their overall investment portfolio) and the information contained in the Offering Memorandum and this Pricing Supplement. Investors should consider carefully the risk factors set forth under "*Risk Factors*" in the Offering Memorandum.

(Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.)

1. Issuer: HSBC Bank plc
2. [Tranche number: []

(If fungible with an existing Series, details of that Series, including the date on which the Warrants become fungible).]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants

3. Settlement Currency: []
4. Aggregate Number of Warrants in the:
- [(i) Series:] []
- [(ii) Tranche:] []
5. Face Value: []
6. Issue Date: []
7. Issue Price: [currency] [amount] per Warrant
8. Strike Price: [currency] [amount]
9. Type of Warrants: [Security Warrant / Security Basket Warrant / Index Warrant / Index Basket Warrant]
10. Series represented by: [Global Warrant¹]/[Global Registered Warrant]/[N/A]. Warrants in definitive form [will/will not] be issued. [other (specify)]
11. Form of Warrant: [Book-Entry Form Warrants/Registered Warrants/Uncertificated Registered Warrants]
12. Style of Warrants: The Warrants are [American/European/Bermudan/ other (specify)] Style [Call/Put] Warrants. Condition [4(a)/4(b)/4(c)] is applicable.
13. (i) Expiry Date: [] [or if such day is not an Underlying Currency Pair Fixing Date the immediately following day that is an Underlying Currency Pair Fixing Date, subject in each case to disruption provisions set out in Condition 18(b)]
- (ii) Automatic Exercise: [Applicable/Not applicable]²
- (iii) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [] and ending on (and including) the Expiry Date].
- (iv) Potential Exercise Date(s): [Bermudan Style Warrants only] [insert date] [or if such day is not an Underlying Currency Pair Fixing Date the immediately following day that is an Underlying Currency Pair Fixing Date, subject in each case to disruption provisions set out in Condition 18(b)]
- (v) Knock-in Event: [Applicable] [Specify event or occurrence] [If the [Final Price] [Reference Price] [Final Index Level] [Reference Level] [] as observed by the Calculation Agent [as of the Valuation Time] [continuously] [] [on a

¹ Warrants will generally be in book-entry form represented by a Global Warrant. If, and only if Warrants are being sold in reliance on Rule 144A, will they be in registered form and represented by a Global Registered Warrant.

² Refer to Listing Rule 19.2.6. If the Warrants are Retail Securitized Derivatives as defined in Listing Rule 19, then automatic exercise is required.

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants

- Knock-In Determination Day] is [greater than] [greater than or equal to] [less than] [less than or equal to] the relevant Knock-in [Price] [Level]] [Not applicable]
- Knock-in Determination Day: [] [Condition 17 applies]
 - Knock-in Determination Period: [Applicable] [Not applicable]
 - Knock-in Period Beginning Date: [] [Not applicable]
 - Knock-in Period Ending Date: [] [Not applicable]
 - Knock-in Price/ Knock-in Level: []
 - Knock-in Amount: []
 - Knock-in Amount Payment Date: [] [Maturity Date]
- (vi) Knock-out Event: [Applicable] [(specify event or occurrence)] [If the [Final Price] [Reference Price] [Final Index Level] [Reference Level] as observed by the Calculation Agent [as of the Valuation Time] [continuously] [] [on a Knock-out Determination Day] is [greater than] [greater than or equal to] [less than] [less than or equal to] the relevant knock-out [Price] [Level]] [Not applicable]
- Knock-out Determination Day: [] [Condition 17 applies]
 - Knock-out Determination Period: [Applicable] [Not applicable]
 - Knock-out Period Beginning Date: [] [Not applicable]
 - Knock-out Period Ending Date: [] [Not applicable]
 - Knock-out Price/ Knock-out Level: []
 - Knock-out Amount: []
 - Knock-out Amount Payment Date: [] [Maturity Date]
14. (i) Minimum Exercise/Minimum Trading Size: [] Warrants
- (ii) Permitted Multiple: [] Warrants
15. Cash Settlement: [Applicable. The Warrants are Cash Settlement Warrants. Condition 4(d) (*Cash Settlement*) [and Condition 4(f) (*Optional Physical Settlement*)] [applies/apply]]/[Not applicable].
- (i) Cash Settlement Amount: []
 - (ii) Cash Settlement Payment Date: [] [or, if later, the [fifth/specify Business Day following the [Underlying Currency Pair Fixing Date] [Expiry Date [or] [Potential Exercise Date]]]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants

16. Physical Settlement: [Applicable. The Warrants are Physical Settlement Warrants. Condition 4(e) (*Physical Settlement*) [and Condition 4(g) (*Optional Cash Settlement*)] [applies/apply]/[Not applicable].
- (i) Strike Price Payment Date: []
- (ii) Settlement Date: []
- (Consider treatment of dividends).
- Stamp duty [is / is not] currently payable by the Warrantholder on Security delivery. There [are / are no] restrictions on the transferability of the Securities.
17. Index Warrant or Index Basket Warrant: [Applicable. The Warrants are [Index Warrants / Index Basket Warrants]]/[Not applicable].
- (i) Index/Indices: [] [The Exchanges/[] [] [is / are] Multiple Index Exchange(s)]
- (ii) Basket: [(specify each Index in the Basket and indicate the relative proportions)/Not applicable]
- (iii) Index Sponsor(s): [] [The definition in Condition 17 applies]
- (iv) Index Rules: [] [Not applicable]
- (v) Exchange(s): []
- (vi) Related Exchange(s): [] [All Exchanges]
- (vii) Valuation Time: []
- (viii) Valuation Date: []
- (ix) Averaging Dates: [Applicable / Not applicable] [If applicable, specify dates]
- (x) Reference Level: [] [The definition in Condition 17 applies] [Not applicable]
- (xi) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [other (specify)]] [Not applicable]
- (xii) Initial Index Level: [] [The definition in Condition 17 applies]
- (xiii) Final Index Level: [] [Not applicable][The definition in Condition 17 applies]
- (xiv) Adjustments to Indices: [Condition 18(c)] / [[Condition 18(i)] [applies/does not apply]]
- (xv) Strike Date: []
- (xvi) Index Substitution: [Applicable][Not applicable]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants

18. Security Warrant or Security Basket Warrant: [Applicable. The Warrants are [Security Warrants / Security Basket Warrants]/[Not applicable].
- (i) Securities: [] [The Securities are Depository Receipts]
[Units in the Fund, where "**Fund**" means [], "**Unit**" means a share or notional unit of the Fund (as defined in the Fund Documents), the price of which is denominated in []. [The Units represent undivided ownership interests in the portfolio of investments held by the Fund][*delete if not applicable*], "**Underlying Index**" means [] Condition 18 shall apply to the Notes as if references therein to "**Underlying Company**" were references to the "**Fund**" and as if references therein to "**Security**" were references to "**Unit**".
- (ii) Basket: [*specify each Security in the Basket and indicate the relative proportions/Not applicable*]
- (iii) Underlying Company: [] [and with respect to the Underlying Securities [] [The Fund]
- (iv) Exchange(s): [*specify exchange on which the Securities are listed*]
- (v) Related Exchange: [*specify/Not applicable*]
- (vi) Valuation Time: []
- (vii) Valuation Date: []
- (viii) Averaging Dates: [Applicable / Not applicable] [*If applicable, specify dates*]
- (ix) Initial Price: [] [The definition in Condition 17 applies]
- (x) Strike Date: []
- (xi) Final Price: [] [The definition in Condition 17 applies]
- (xii) Reference Price: [] [The definition in Condition 17 applies]
- (xii) Potential Adjustment Event: Condition 18(f)(i) [applies/does not apply]
- Extraordinary Dividend (if other than as specified in the definition in Condition 17) []
- additional Potential Adjustment Event (for purposes of paragraph (viii) of the definition thereof) []
- (xiv) Extraordinary Event: Condition 18(f)(ii) [applies/does not apply]
- (xv) Conversion: Condition 18(f)(iii) [applies/does not apply]
(for Warrants relating to Government Bonds and debt securities only)

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants

- (xvi) Correction of Prices: Condition 18(f)(iv) [applies/does not apply]
- (xvii) Additional Disruption Event [The following Additional Disruption Events apply: [Change in Law, Failure to Deliver, Insolvency Filing, Hedging Disruption, Increased Cost of Hedging] *[other - give details]*] [Not applicable]
19. Averaging Date Market Disruption: [Omission / Postponement / Modified Postponement / Not applicable / *other (specify)*]
20. Business Day: [As in the Conditions / *other (specify)*]
21. (i) Payment of Alternative Payment Currency Equivalent: [Applicable] [Not Applicable]
- Settlement Currency Jurisdiction: []
- Alternative Payment Currency: []
- Alternative Payment Currency Jurisdiction: []
- Alternative Payment Currency Fixing Page: []
- Alternative Payment Currency Fixing Time: []
- Alternative Payment Currency Exchange Rate Fall-Back Provisions: [] [Condition 1 applies]
- Offshore RMB Centre: [Hong Kong] [Taiwan] [Singapore] [] [Not applicable]
- (ii) Underlying Currency Pair provisions: [Applicable] [Not applicable]
- Reference Currenc(y)(ies): []
- Reference Currency Jurisdiction(s): []
- Specified Currenc(y)(ies): []
- Underlying Currency Pair Business Days: [] [Condition 1 applies]
- Underlying Currency Pair Fixing Date: []
- Underlying Currency Pair Fixing Page: [] [Condition 1 applies]
- Underlying Currency Pair Fixing Time: []
- Underlying Currency Pair Exchange Rate Fall-Back provisions: [] [Condition 1 applies]

- (iii) FX Disruption: [Applicable][Not applicable]
22. Business Centre: []
23. Selling Restrictions: In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Offering Memorandum:
- (Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Offering Memorandum)
24. Other Terms: []³

[PROVISIONS APPLICABLE TO INFLATION RATE-LINKED WARRANTS ONLY]

25. (i) Related Bond: [Applicable/Not applicable] (if applicable and nothing further is specified, then it will be the Fallback Bond)
- (ii) Issuer of Related Bond: [Applicable/Not applicable] [if applicable specify]

DISTRIBUTION

26. (i) If syndicated, names of Relevant Manager(s)/Lead Manager(s): [Not applicable][HSBC Bank plc][other - give name]
27. (ii) If syndicated, names [, addresses and underwriting commitments] of other Managers (if any): [Not applicable][other - give name]
[Give addresses and underwriting commitments]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
28. Exemption(s) from requirements under Directive 2003/71/EC (as amended) (the "Prospectus Directive"): [Not applicable. This offer is made exclusively to investors outside the European Economic Area] [The offer is addressed solely to qualified investors (as such term is defined in the Prospectus Directive)]/[The offer is addressed to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive)]/[The offer is addressed to investors who will acquire Warrants for a consideration of at least EUR100,000 (or equivalent amount in another currency) per investor for each separate offer]

³ If new term constitutes a "significant new factor", consider whether a drawdown prospectus or a new base prospectus is required.

[In offer of Warrants pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Warrants offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Warrants.

Each prospective purchaser of Warrants offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of this Pricing Supplement and the accompanying Offering Memorandum, will be deemed to have represented and agreed with respect to such Warrants as follows:

- (a) such 144A Offeree acknowledges that this Pricing Supplement and the accompanying Offering Memorandum is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Warrants other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Pricing Supplement and the accompanying Offering Memorandum, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- (b) such 144A Offeree agrees to make no photocopies of this Pricing Supplement and the accompanying Offering Memorandum or any documents referred to herein.

Each purchaser of Warrants sold in reliance on Rule 144A ("**Restricted Warrants**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Warrants for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Warrants to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Warrants are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Warrants offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that certificates representing Restricted Warrants will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS WARRANT [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]⁴ HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS WARRANT IS HEREBY NOTIFIED THAT THE SELLER OF THIS WARRANT MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS WARRANT, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS WARRANT MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "**QUALIFIED INSTITUTIONAL BUYERS**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE

⁴ To be included if the underlying securities have not been registered under the Securities Act.

144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

UNLESS OTHERWISE PROVIDED IN ANY SUPPLEMENTAL LISTING PARTICULARS OR APPLICABLE PRICING SUPPLEMENT, EACH PURCHASER OR TRANSFEREE OF THIS WARRANT (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS WARRANT TO HAVE REPRESENTED AND AGREED EITHER THAT (I) IT IS NOT (A) AN "**EMPLOYEE BENEFIT PLAN**" AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "**PLAN**" AS DESCRIBED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO WHICH SECTION 4975 OF THE CODE APPLIES, (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR (D) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (A "**SIMILAR LAW PLAN**"), OR (II) IT IS A SIMILAR LAW PLAN (THAT IS NOT A BENEFIT PLAN INVESTOR) AND ITS PURCHASE, HOLDING AND DISPOSITION OF THIS WARRANT (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS WARRANT THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.

[ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY US PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE.]⁵

- (4) Each purchaser of Restricted Warrants acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Warrants for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) Before any interest in a Warrant represented by a Restricted Global Registered Warrant may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Warrant, the transferor will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in items (B) or (C) of the second paragraph of the legend set forth above. See "*Summary of Provisions relating to the Warrants While in Global Form*" in the accompanying Offering Memorandum.

⁵ Only include this language in respect of physically settled warrants.

**Part D - Product Supplement for Equity/Index-Linked Notes and Warrants and Preference Share-Linked Notes – Pro
Forma Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants**

CONFIRMED

HSBC BANK PLC

By:
Authorised Signatory

Date:

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Irish Stock Exchange. No assurance can be given as to whether or not, or when, such application will be granted/Not applicable]
- (ii) Admission to trading: [Application has been made for the Warrants to be admitted to trading on the Global Exchange Market with effect from [the Issue Date][]. No assurance can be given as to whether or not, or when, such application will be granted.] [Not applicable] [Application has been made to have the Warrants admitted to trading on the PORTAL system of the US National Association of Securities Dealers]
- (Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)*⁶
- (iii) Estimated total expenses of admission to trading: [(Specify amount)] [Not applicable]

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the Manager(s), so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the issue. The Manager(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not applicable]

3. REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [] (*Specify reason only if reason is different from making profit or hedging activities, otherwise: Not applicable*)
- (ii) Estimated net proceeds: (*Specify if reasons for the offer are specified above under (i), otherwise: Not applicable.*) (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
- (iii) Estimated total expenses: (*Specify if reasons for the offer are specified above under (i), otherwise; Not applicable*) [*Include breakdown of expenses*]⁷

4. [Index-Linked, Equity-Linked or other variable-linked Interest Warrants only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING]⁸

(Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained (and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the

⁶ Not required for derivative securities which can only be acquired for at least EUR 100,000 per security.

⁷ Not required for debt securities with a denomination per unit of at least EUR 100,000.

⁸ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements.

risks are most evident)⁹. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.)]

OPERATIONAL INFORMATION

- | | |
|--|---|
| 5. ISIN Code: | [[]/Not applicable] |
| 6. Common Code: | [[]/Not applicable] |
| 7. CUSIP: | [[]/Not applicable] |
| 8. Valoren Number: | [[]/Not applicable] |
| 9. SEDOL: | [[]/Not applicable] |
| 10. WKN: | [[]/Not applicable] |
| 11. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [CREST][None]/[specify] |
| 12. Delivery: | Delivery [against/free of] payment |
| 13. Additional Paying Agent(s) (if any): | [None/specify] |
| 14. Common Depositary: | [HSBC Bank plc]/[Not applicable] |
| 15. Calculation Agent: | [HSBC Bank plc] [HSBC France] [specify] |
| 16. City in which specified office of Warrant Registrar to be maintained: | [Not applicable] [London] [specify] |
| 17. ERISA Considerations: | [The Warrants may not be purchased by "benefit plan investors". See "Certain ERISA Considerations" in the Offering Memorandum for further information./give details] [Not applicable] |

⁹ Not required for derivative securities which can only be acquired for at least EUR 100,000 per security.

ANNEX 2

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 refinance, no deterioration in market conditions has been experienced in the first half of 2013. Refinance 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	Netherlands	France
	Greece	Ireland	Italy	Portugal	Spain	£bn	£bn	£bn
	£bn	£bn	£bn	£bn	£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	Netherlands	France
	Greece	Ireland	Italy	Portugal	Spain	£bn	£bn	£bn
	£bn	£bn	£bn	£bn	£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	30 June 2012	31 December 2012
	£m	£m	£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	30 June 2012	31 December 2012
	£m	£m	£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	30 June 2012	31 December 2012
	£m	£m	£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 £m	30 June 2012 £m	31 December 2012 £m	30 June 2012 £m	31 December 2012 £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 Moulonguet (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		Total £m	
	Notes	£m	Continuing operations £m		Discontinued operations £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		Total £m
	£m	Continuing operations £m	Discontinued operations £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**

	<i>Notes</i>	30 June 2013 £m	31 December 2012 £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								
	Called up share capital £m	Share premium £m	Retained earnings £m	Other reserves			Total share- holders' equity £m	Non- controlling interests £m	Total equity £m
				Available- for-sale fair value reserve £m	Cash flow hedging reserve £m	Foreign exchange reserve £m			
At 1 January 2013	797	20,025	10,459	(131)	259	266	31,675	525	32,200
Profit for the period	-	-	1,681	-	-	-	1,681	25	1,706
Other comprehensive income (net of tax)	-	-	(841)	557	(217)	503	2	15	17
Available-for-sale investments	-	-	-	557	-	-	557	(4)	553
Cash flow hedges	-	-	-	-	(217)	-	(217)	-	(217)
Actuarial (losses)/gains on defined benefit plans	-	-	(841)	-	-	-	(841)	-	(841)
Exchange differences and other	-	-	-	-	-	503	503	19	522
Total comprehensive income for the period	-	-	840	557	(217)	503	1,683	40	1,723
Dividends to shareholders	-	-	(1,400)	-	-	-	(1,400)	(16)	(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	(1)	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	548	32,459

	Half year to 30 June 2012								
	Other reserves								
	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	Non- controlling interests £m	Total equity £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 quoted market price £m	Level 2 using observable inputs £m	Level 3 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 designated 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	Impaired	Impairment allowances	Total
	Strong £m	Medium Good £m	Satisfactory £m	Sub- standard £m	£m	£m	£m	£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				Sub- standard £m	Past due not impaired £m	Impaired £m	Impairment allowances £m	Total £m
	Strong £m	Medium £m		Satisfactory £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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