HSBC UK Bank plc

Interim Report 2025

HSBC

Opening up a world of opportunity

Contents

Presentation of information

This document comprises the Interim Report 2025 for HSBC UK Bank plc ('the bank' or 'the Company') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries. References to 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

A full list of abbreviations is provided on page 42.

It contains the Interim Management Report and Condensed Consolidated Financial Statements of the group, together with the Auditor's Review Report, as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Our Pillar 3 Disclosures at 30 June 2025 are expected to be published on or around 6 August 2025 at www.hsbc.com.

Unless otherwise stated, commentary on the income statement compares the six months to 30 June 2025 with the six months to 30 June 2024. Balance sheet commentary compares the position at 30 June 2025 to 31 December 2024.

In accordance with International Accounting Standards ('IAS') 34 'Interim Financial Reporting', the Interim Report is intended to provide an update on the Annual Report and Accounts 2024 and therefore focuses on events during the first six months of 2025, rather than duplicating information previously reported.

Our reporting currency is £ sterling. Unless otherwise specified, all £ symbols represent £ sterling and $ symbols represent US dollars. The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of £ sterling, respectively.

Cautionary statement regarding forward-looking statements

The Interim Report 2025 contains certain forward-looking statements with respect to the financial condition, Environmental, social and governance 'ESG' related matters, results of operations and business of the group.

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'will', 'targets', '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. HSBC UK makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

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

Highlights

HSBC UK Bank plc is a public limited company with debt securities traded on the London Stock Exchange. The Company is a ring-fenced bank and wholly owned subsidiary of HSBC Holdings plc. We leverage the rest of the HSBC Group network to support our customers and help to grow revenue across key trade corridors around the world.

Headquartered in Birmingham, we have over 15 million customers and over 18,400 full-time equivalent staff ('FTE') across the country. We are supported by staff based in other Group companies who provide services to HSBC UK and the wider HSBC Group, including 5,400 FTE based in HSBC Global Services (UK) Limited.

Key Financial Indicators

For the half-year ended 30 June 2025.

Profit before tax
£2.8bn
(1H24: £3.0bn)

Revenue
£5.1bn
(1H24: £4.9bn)

Expected credit losses and other credit impairment charges
£263m
(1H24: £49m)

Operating Expenses
£2.1bn
(1H24: £1.9bn)

Loans and advances to customers
£223.1bn
(31 Dec 24: £217.6bn)

Customer accounts[1]
£276.1bn
(31 Dec 24: £280.4bn)

Risk-weighted assets
£115.4bn
(31 Dec 24: £110.4bn)

Common equity tier 1 capital ratio
13.2%
(31 Dec 24: 13.6%)

1 Customer accounts include £2.6bn (2024: £6.8bn) of short term Markets Treasury deposits from HSBC Holdings plc.

Financial performance

We delivered reported profit before tax ('PBT') of £2,786m, £166m or 6% lower than 1H24. Reported revenue increased by £194m or 4%, to £5,120m, as a result of balance sheet growth and repricing of the structural hedge driving net interest margin ('NIM') widening from 2.57% in 1H24 to 2.61% in 1H25. Offsetting the impact from competitive mortgage pricing, as well as a migration towards interest-bearing deposit accounts which have stabilised into 2025, and two base rate cuts during the year.

Our loans and advances have grown by 3% in 1H25 with growth from mortgages and commercial lending, growing market share[1] modestly. Customer accounts have declined by 2% in 1H25 primarily due to intra-group deposits. Excluding the intra-group deposits, balances and market share[1] have been stable in 1H25.

Expected Credit Losses ('ECLs') increased by £214m from £49m in 1H24 to £263m in 1H25, mainly reflecting a normalised level of ECLs in 1H25 compared to the releases of provision for forward economic outlook against our retail portfolio in 1H24.

Operating expenses increased by £146m or 8% to £2,071m in 1H25, reflecting restructuring costs and the ongoing investment in technology including operational resilience, partly offset by a continued focus on cost discipline.

Our 1H25 reported RoTE of 19.5% is 2% lower than the 1H24 reported RoTE of 21.5%. Supported by a CET1 ratio of 13.2% and Liquidity Coverage Ratio ('LCR') of 186% as at 30 June 2025, our balance sheet remains highly resilient with sufficient capital and liquidity.

Our Financial summary, containing further details of our financial performance, can be found on page 5.

1 Bank of England ("BoE") Data to May 2025.

Economic background and outlook

UK economic outlook

Gradual rate cuts expected to continue despite above target inflation

The UK economy continues to see sluggish growth, alongside above target inflation. After a strong start to the year, Gross Domestic Product ('GDP') fell in April and May, appearing to reflect one-off factors including 'frontloading' (completing trade activities earlier than planned) ahead of US tariffs.

Real incomes have recovered, and the household savings rate remains elevated. In addition, the headline unemployment rate has risen to 4.7%[1], with job vacancies now well below their pre-pandemic level.

At the same time, headline Consumer Price Index ('CPI') inflation was up 3.6%[2] year-on-year ('YoY'), with food prices up 4.5%[2], and services up 4.7%[2]. Wage growth slowed to 5.0%[1] but remains too high to be consistent with on target inflation.

We therefore expect the BoE to ease monetary policy gradually. While the BoE reduced the Bank Rate to 4.25%[3] in May, it continues to signal caution over lingering inflation pressures. However, the base case is for a return of inflation to target beyond 2025, and market pricing suggests two further cuts by the end of the year, expected to take the Bank Rate to c.3.75%.

1 Office for National Statistics Data to May 2025.
2 Office for National Statistics Data to June 2025.
3 BoE Data to May 2025.

Reshaping the Group for growth

Since 1 January 2025, the HSBC Group has operated through four new businesses (of which the 'UK business'[1] is one), to simplify its organisational structure and accelerate delivery against its strategic priorities. The Group has committed to deliver an annualised reduction of around $1.5bn in its cost base, expected by the end of 2026 from the organisational simplification programme. The Group is also focused on opportunities where it has a clear competitive advantage and accretive returns and aims to redeploy approximately $1.5bn of additional costs from non-strategic activities into these areas over the medium term. For further details, please refer to page 2 in the 2025 HSBC Holdings Interim Report.

In March 2025, the HSBC Group announced that Ian Stuart had been appointed as Group Customer and Culture Director, subject to the appointment of his successor as Chief Executive Officer 'CEO' of HSBC UK. The process to appoint the new HSBC UK CEO is underway and a successor is expected to be announced in the second half of 2025.

HSBC UK offers solutions for its personal customers through our Retail Banking and Wealth ('RBW') and Private Bank ('PB') segments, and for its corporate customers through Commercial Banking ('CMB') and Corporate and Institutional Banking ('CIB') segments. These are supported by our Corporate Centre. Since 1 January 2025, HSBC UK has operated under these five segments, 1H25 financial results are presented on this basis and further detail on each segment is below. All segmental comparative data have been re-presented on this basis.

1 HSBC UK comprises Retail Banking and Wealth, Private Bank, Commercial Banking, Corporate and Institutional Banking and Corporate Centre segments; 'UK business' comprises Retail Banking and Wealth and Commercial Banking segments of HSBC UK.

Retail Banking and Wealth

RBW offers a comprehensive set of banking products and services to support our customers to manage their day-to-day finances, as well as helping to protect and grow their wealth. We serve over 14.5 million customers under our three brands: HSBC UK, first direct and Marks and Spencer ('M&S') Bank.

We relaunched our Premier proposition in November 2024, focused on the key customer lifestyle benefits of travel, health, international and wealth. In February 2025, we launched our 'Everything's Premier' campaign, which included significant marketing in high footfall locations across the UK. In 1H25, we launched our redesigned mobile app, to improve customer experience, including updated navigation, user interface and chat journeys. Finally, our Enhanced Support Team is now live across all our brands, providing a heightened level of care to customers in financial difficulty, including those in vulnerable circumstances.

Private Bank

PB supports high-net worth individuals and families with their personal wealth needs, offering investment and lending opportunities, alongside wealth planning solutions and banking services. We strategically partner with our clients to deliver tailored solutions based on their needs, leveraging the HSBC Group's global capabilities and reach.

In 1H25, we served over nine thousand client relationships in PB. We opened our first UK Wealth Centre in Mayfair in June 2025, to enhance the service that we offer to our Premier and PB clients. Across RBW and PB, wealth balances including invested assets and wealth deposits increased by 2%, to over £54.2bn (FY24: £53.1bn).

Commercial Banking

CMB is a full-service domestic and international commercial bank, highly connected to the HSBC Group to help meet our clients' needs both in the UK and around the world. We serve over 600,000 clients, with clients from start-up stage through mid-market and up to listed corporates. This includes HSBC Innovation Bank Limited ('HINV').

Our international network remains one of our key differentiators, and we aim to scale global propositions and connectivity. Inbound and outbound revenues increased by 3.7% and 5.2% respectively (YoY to May 2025) and Multi-Jurisdictional Revenue[1] increased by 4% (YoY to June 2025). Our loans and advances increased by 5%[3] vs FY24, and 9%[2] vs 1H24. We are conscious of the ongoing market and geopolitical volatility and continue to support our customers. This has supported our recent award wins, including being named the 2025 Coalition Greenwich Best UK Commercial Bank and the UK's Best Bank for Corporates 2025 by Euromoney.

HINV is a leading innovation-focused bank in the UK and is core to the wider global HSBC Innovation Banking proposition. We aim to deliver globally connected specialised banking services and expertise to innovation businesses and their investors. We saw continued growth, welcoming over 400 new clients in the first half of 2025.

1 Global income earned from parent companies managed in the UK where there is at least one banked subsidiary outside the UK.
2 Excluding COVID-19 related lending; the whole portfolio of loans and advances grew by 4% vs FY24 and 6% vs 1H24.

Corporate and Institutional Banking

CIB offers foreign currency payments and selected products to enable commercial hedging, as permitted under UK ring-fencing legislation. Through close collaboration with HSBC Group, we also make products that are not offered within HSBC UK available on an arms-length basis.

Corporate Centre

Corporate Centre supports central operations of the HSBC UK business and includes interests in a joint venture and stewardship costs.

Financial review

Key financial metrics

	Half-year to	
For the period	**30 Jun 2025**	30 Jun 2024
Reported results		
Revenue (£m)[1]	**5,120**	4,926
Profit before tax (£m)[2]	**2,786**	2,952
Profit after tax (£m)	**2,044**	2,173
Profit attributable to the shareholder (£m)	**2,041**	2,170
Net interest margin (%)	**2.61**	2.57
Cost efficiency ratio (%)[2]	**40.4**	39.1
Alternative performance measures		
Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers (annualised) (%)	**0.24**	0.05
Return on average ordinary shareholder's equity (annualised)[2] (%)	**16.0**	17.5
Return on average tangible equity (annualised)[2,6] (%)	**19.5**	21.5

	At	
Balance sheet	**30 Jun 2025**	31 Dec 2024
Total assets (£m)	**341,612**	340,877
Net loans and advances to customers (£m)	**223,134**	217,604
Customer accounts (£m)	**276,073**	280,366
Average interest-earning assets (£m)	**325,075**	316,007
Loans and advances to customers as % of customer accounts (%)	**80.8**	77.6
Total shareholder's equity (£m)	**27,378**	25,911
Tangible ordinary shareholder's equity (£m)	**20,307**	19,351
Capital, leverage and liquidity		
Common equity tier 1 capital ratio (%)[2,3,4]	**13.2**	13.6
Total capital ratio (%)[3,4]	**18.7**	18.6
Risk-weighted assets (£m)[3,4]	**115,402**	110,423
Leverage ratio (%)[3,4]	**5.7**	5.8
High-quality liquid assets (liquidity value) (£m)[4]	**93,913**	91,348
Liquidity coverage ratio (%)[4,5]	**186**	190

1 Revenue also refers to net operating income before change in expected credit losses and other credit impairment charges.
2 These metrics are tracked as Key Performance Indicator ('KPI')s of the group.
3 Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end. Accordingly, our current period numbers are presented on an end-point basis, while comparative figures are on transitional basis.
4 Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we will restate in subsequent periods.
5 The LCR is based on the average month-end value over the preceding 12 months.
6 In the event that the current IAS 19 Pension fund surplus was zero, RoTE would be 21.8% (1H24: 24.4%). We refer to this as Pension Adjusted RoTE. Further details are on page 41.

Financial summary

Summary consolidated income statement

	Half-year to	
	30 Jun 2025	30 Jun 2024
	£m	£m
Net interest income	**4,203**	4,003
Net fee income	**660**	641
Net income from financial instruments held for trading or managed on a fair value basis	**208**	219
Other operating income	**49**	63
Net operating income before change in expected credit losses and other credit impairment charges	**5,120**	4,926
Change in expected credit losses and other credit impairment charges	**(263)**	(49)
Net operating income	**4,857**	4,877
Total operating expenses	**(2,071)**	(1,925)
Operating profit	**2,786**	2,952
Profit before tax	**2,786**	2,952
Tax expense	**(742)**	(779)
Profit for the period	**2,044**	2,173
Profit attributable to shareholder	**2,041**	2,170
Profit attributable to non-controlling interests	**3**	3

Reported performance

In 1H25, reported PBT of £2,786m was £166m lower than 1H24.

Reported revenue increased by £194m or 4%, to £5,120m in 1H25, primarily driven by higher net interest income ('NII').

NII increased by £200m or 5%, to £4,203m in 1H25, driven by repricing of the structural hedge and balance sheet growth, partly offset by the impacts of base rate reductions, competitive mortgage pricing and migration towards interest-bearing deposit accounts which has stabilised during 2025.

Net fee income increased by £19m or 3%, to £660m in 1H25, driven by higher commercial lending fees and private banking reflecting strong growth in clients' investment balance, partly offset by lower fees in retail.

Net income from financial instruments held for trading or managed on a fair value basis decreased year-on-year by £11m or 5%.

Other operating income decreased year-on-year by £14m or 22%.

ECL increased by £214m from £49m in 1H24 to £263m in 1H25, mainly reflecting a normalised level of ECLs in 1H25 compared to the releases of provision for forward economic outlook against our retail portfolio in 1H24.

Total operating expenses increased by £146m or 8% to £2,071m in 1H25, reflecting restructuring costs and the ongoing investment in technology including operational resilience, partly offset by a continued focus on cost discipline.

Tax expense The Effective Tax Rate (ETR) of 26.6% (1H24: 26.4%) was lower than the statutory tax rate ("STR") applicable to UK banking entities of 28% mainly due to tax relief on Additional Tier 1 ("AT1") coupon payments.

Net interest income

	Half-year to	
	30 Jun 2025	30 Jun 2024
	£m	£m
Interest income	**7,346**	7,337
Interest expense	**(3,143)**	(3,334)
Net interest income	**4,203**	4,003
Average interest-earning assets	**325,075**	313,658
	%	%
Gross interest yield[1]	**4.56**	4.70
Less: Gross interest payable[1]	**(2.44)**	(2.72)
Net interest spread[2]	**2.12**	1.98
Net interest margin[3]	**2.61**	2.57

1 Gross interest yield is the annualised interest income as a percentage of Average interest-earning assets ('AIEA'). Gross interest payable is the annualised interest expense as a percentage of average interest-bearing liabilities.
2 Net interest spread is the difference between the gross interest yield and the gross interest payable.
3 NIM is NII as a percentage of AIEA.

NIM increased from 2.57% in 1H24 to 2.61% in 1H25, driven by the benefit from the structural hedge repricing partly offset by narrowing of mortgage margins and higher funding costs as the mix of interest-bearing deposits increased compared with prior period.

Return on average tangible equity ('ROTE')

RoTE is measured as reported profit attributable to the ordinary shareholder, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles. A reconciliation is provided on page 41, which details the adjustments made to the reported results and equity in calculating RoTE.

In 1H25, our annualised RoTE was 19.5% which was 2% lower than the 1H24 annualised RoTE of 21.5% driven by lower reported PBT.

Alternative Performance Measures

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

Segmental reporting

The HSBC UK businesses are our reportable segments under IFRS 8.

The HSBC Group Chief Executive, supported by the rest of the HSBC Group Operating Committee, is considered the Chief Operating Decision Maker 'CODM' for the purposes of identifying HSBC Group's, and therefore HSBC UK's reportable segments. HSBC UK's CODM is the HSBC UK Chief Executive, supported by the HSBC UK Operating Committee.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs which are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-group elimination items are presented in the Corporate Centre. A description of our businesses is provided in page 3.

Profit before tax and balance sheet data for the period

(Reviewed)

	Half-year to 30 Jun 2025					
	Retail Banking and Wealth	Commercial Banking	Corporate and Institutional Banking	Private Bank	Corporate Centre	Total
	£m	£m	£m	£m	£m	£m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	**2,311**	**2,608**	**80**	**135**	**(14)**	**5,120**
– external	**2,208**	**2,445**	**186**	**93**	**188**	**5,120**
– inter-segment	**103**	**163**	**(106)**	**42**	**(202)**	**—**
– of which: net interest income/(expense)	**2,064**	**2,134**	**2**	**70**	**(67)**	**4,203**
Change in expected credit losses and other credit impairment charges	**(137)**	**(113)**	**—**	**(13)**	**—**	**(263)**
Net operating income/(expense)	**2,174**	**2,495**	**80**	**122**	**(14)**	**4,857**
Total operating (expenses)/income	**(1,233)**	**(774)**	**(24)**	**(85)**	**45**	**(2,071)**
Operating profit	**941**	**1,721**	**56**	**37**	**31**	**2,786**
Profit before tax	**941**	**1,721**	**56**	**37**	**31**	**2,786**
	%	**%**	**%**	**%**	**%**	**%**
Cost efficiency ratio	**53.4**	**29.7**	**30.0**	**63.0**	**321.4**	**40.4**
	At 30 Jun 2025					
Balance sheet information						
Loans and advances to customers	**146,218**	**72,743**	**—**	**4,401**	**(228)**	**223,134**
Customer accounts	**169,263**	**99,187**	**—**	**7,857**	**(234)**	**276,073**
	Half-year to 30 Jun 2024					
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	2,148	2,586	79	124	(11)	4,926
– external	1,960	2,500	195	74	197	4,926
– inter-segment	188	86	(116)	50	(208)	—
– of which: net interest income/(expense)	1,869	2,110	(2)	70	(44)	4,003
Change in expected credit losses and other credit impairment charges	62	(107)	—	(4)	—	(49)
Net operating income/(expense)	2,210	2,479	79	120	(11)	4,877
Total operating (expenses)/income	(1,149)	(709)	(22)	(81)	36	(1,925)
Operating profit	1,061	1,770	57	39	25	2,952
Profit before tax	1,061	1,770	57	39	25	2,952
	%	%	%	%	%	%
Cost efficiency ratio	53.5	27.4	27.8	65.3	327.3	39.1
	At 31 Dec 2024					
Balance sheet information						
Loans and advances to customers	143,228	70,025	—	4,528	(177)	217,604
Customer accounts	170,773	101,853	—	8,100	(360)	280,366

Retail Banking and Wealth

PBT of £941m in 1H25 was £120m or 11% lower than 1H24, due to higher ECLs and higher operating costs, partly offset by higher revenue.

Revenue increased by £163m or 8%, this reflected benefits from repricing of the structural hedge and balance sheet growth, partly offset by the impact of mortgage margin compression, as well as a migration towards interest-bearing deposit accounts which have stabilised into 2025 and base rate cuts in this year.

ECLs increased by £199m from £62m release in 1H24 to £137m charge in 1H25, mainly reflecting a normalised level of ECLs compared to releases of provision for forward economic outlook in 1H24.

Operating expenses increased by £84m or 7%, driven by increased technology and operational resilience investment costs, wage inflation and an adverse net movement in provisions, partly offset by actions taken to optimise operational costs.

Commercial Banking

PBT of £1,721m in 1H25 was £49m or 3% lower than 1H24, mainly driven by higher operating expenses.

Revenue increased by £22m or 1%, resulting from repricing of the structural hedge and balance sheet growth, partly offset by a migration towards interest-bearing deposit accounts which have stabilised into 2025 and base rate cuts in this year.

ECLs increased by £6m from a £107m charge in 1H24 to a £113m charge in 1H25, driven by higher Stage 3 charges, partly offset by the benefits of implementing new probability of default ('PD') models.

Operating expenses increased by £65m or 9%, largely driven by inflation and increased technology and operational resilience investment costs.

Corporate and Institutional Banking

CIB in HSBC UK mainly supports retail and commercial customers transacting foreign currency exchange. The majority of the foreign exchange revenue is transferred to RBW, PB and CMB, with an element retained in CIB.

PBT of £56m in 1H25 was £1m lower than 1H24.

Private Bank

PBT of £37m in 1H25 was £2m or 5% lower than 1H24, mainly due to higher ECLs and operating expenses partially offset by an increase in fee income.

ECLs increased by £9m from a £4m charge in 1H24 to a £13m charge in 1H25, driven by higher Stage 3 charges.

Operating expenses increased by £4m or 5%, largely driven by inflation and increased technology investment costs, partly offset by a one-off legal settlement in 1H24 not repeated in this year.

Corporate Centre

PBT of £31m in 1H25 was £6m higher than 1H24.

Dividends

The consolidated reported profit for the period attributable to the shareholder of the bank was £2,041m.

Interim dividends of £1,395m were paid on ordinary share capital during 1H25, of which £595m relates to the previous financial year and £800m relates to the current financial year. £107m of dividends were paid in respect of AT1 capital instruments.

On 17 July 2025, the Directors resolved to pay an interim dividend of £819m to the ordinary shareholder in respect of the financial year ending 31 December 2025.

▶ Further information regarding dividends is given in Note 5.

Summary consolidated balance sheet as at

	30 Jun 2025	31 Dec 2024
	£m	£m
Total assets	**341,612**	340,877
– cash and balances at central banks	**40,070**	52,276
– financial assets mandatory measured at fair value through profit and loss	**168**	174
– derivative assets	**260**	298
– loans and advances to banks	**5,798**	7,263
– loans and advances to customers	**223,134**	217,604
– reverse repurchase agreements – non-trading	**15,556**	11,776
– financial investments	**43,436**	37,801
– other assets	**13,190**	13,685
Total liabilities	**314,214**	314,906
– deposits by banks	**10,611**	11,144
– customer accounts	**276,073**	280,366
– repurchase agreements – non-trading	**1,609**	420
– derivative liabilities	**159**	107
– debt securities in issue	**2,703**	2,044
– other liabilities	**23,059**	20,825
Total equity	**27,398**	25,971
– total shareholder's equity[1]	**27,378**	25,911
– non-controlling interests	**20**	60

1 Total shareholder's equity includes share capital, additional Tier 1 instruments and reserves.

HSBC UK maintained a strong and liquid balance sheet. The ratio of customer advances to customer accounts increased to 80.8% compared to 77.6% at 31 December 2024.

Assets

Cash and balances at central banks decreased by £12.2bn driven by increased customer lending and redeployment into other asset classes to optimise returns, including in our structural hedge.

Loans and advances to banks decreased by £1.5bn mainly due to a reduction in cash held for net settlement schemes of £1.0bn.

Loans and advances to customers increased by £5.5bn, with an increase in RBW of £3.0bn, which was predominantly due to mortgage lending and CMB growth of £2.7bn.

Reverse repurchase agreements – non trading increased by £3.8bn due to diversification of the liquid asset buffer and cash deployment.

Financial investments increased by £5.6bn mainly due to Treasury management activities.

Liabilities

Customer accounts decreased by £4.3bn, which is predominantly driven by a reduction in short term Markets Treasury deposits from HSBC Holdings plc of £4.2bn. These deposits are allocated to RBW (£2.1bn) and CMB (£2.1bn) in line with our reportable segments policy.

Repurchase agreements – non-trading have increased by £1.2bn as part of Treasury management activities.

Subordinated liabilities increased by £2.0bn mainly due to debt issued.

Equity

Total shareholder's equity, including non-controlling interests, increased by £1.4bn or 5.5% compared with 31 December 2024.

This reflected other equity instruments issued of £0.5bn, profits generated of £2.0bn and other comprehensive income ('OCI') of £0.4bn mainly from cashflow hedge reserves, offset by dividend payments of £1.5bn.

Risk review

Risk overview

We continuously identify, assess, manage and monitor risks. This process, which is informed by our risk factors and the results of our stress testing programme, gives rise to the classification of certain financial and non-financial banking risks. Changes in the assessment of these risks may result in adjustments to our business strategy and our risk appetite.

The risks we manage include credit risk, treasury risk, market risk, climate risk, resilience risk, regulatory compliance risk, financial crime and fraud risk, and model risk. In addition to these risks, we have identified top and emerging risks with the potential to have a material impact on our financial results or reputation and the sustainability of our long-term business model.

The exposure to our risks and risk management of these are explained in more detail in the Risk section of the Report of the Directors on pages 16 to 27 of the Annual Report and Accounts 2024.

Managing risk

Economic, financial and geopolitical developments have in the past affected, and may in the future materially affect, HSBC UK's customers, operations and financial risk profile. We maintain a proactive approach to managing our exposure to these risks, supported by continuous monitoring and review.

Economic activity in the UK increased in the first half of 2025 as the global economy continued to grow, but developments were distorted by the acceleration of consumption and investment spending in anticipation of tariffs being imposed. Over the remainder of 2025, tariffs may become an increasing headwind to global growth, and economic forecasts and economic expectations have been lowered accordingly.

Risks to the global economy remain elevated due to the uncertainty over trade policies. High uncertainty may impact financial markets and further erode confidence. The trade deal agreed between the US and the UK has served to mitigate some of the impact of US tariffs on the UK economy. However, higher tariffs could disrupt supply chains and reduce global trade. Such developments may adversely affect HSBC UK and our customers.

We remain subject to interest rate risk, which can affect net interest income, the fair value of our assets and liabilities, and overall financial performance.

The BoE cut interest rates by a cumulative 50bps to 4.25%, amid concern that the weaker global backdrop may affect UK growth and employment, despite continued domestic inflation risk. The current level of UK inflation remains above the BoE's target rate and UK consumers continue to face the pressure of ongoing high prices. We remain mindful of the impact on our mortgage customers from higher monthly repayments driven by interest rates that are expected to remain higher than prior to the Covid-19 pandemic. Higher rates may reduce loan demand across key consumer and business segments, which could lead to a deterioration in credit quality and weigh on real estate and other asset prices.

The geopolitical environment has continued to increase in complexity and tensions could impact HSBC UK's operations and its risk profile. The ongoing conflict in the Middle East and the Russia-Ukraine war remain key sources of uncertainty, which may impact HSBC UK and its customers, including through increased market volatility and supply chain disruptions. During the second quarter of 2025, the war between Israel and Iran illustrated the potential threat of energy supply disruption to the global economy.

Existing and additional sanctions, trade restrictions, counter-sanctions and other retaliatory measures relating to geopolitical tensions may adversely affect HSBC UK and its customers.

Our balance sheet and liquidity has remained strong which has helped us to support our customers. Pressure on business operations and customer support has continued to be high as our people, processes and systems have responded to seek to meet the current economic challenges. We remain focussed on our operational resilience to improve the performance of our customer support systems and processes.

We seek to manage the potential implications of all the above developments on our customers and our business. We continue to focus on improving the quality and timeliness of the data used to inform management decisions, and we are progressing with the implementation of our strategic and regulatory change initiatives to help deliver the right outcomes for our customers, people, investors and communities.

Our Risk Appetite

We recognise the importance of a strong risk culture, which refers to our shared attitudes, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board.

We seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. Our strategic priorities are underpinned by our endeavours to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. We are committed to managing and mitigating climate-related risks, both physical and transitional, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

Top and Emerging Risks

Our top and emerging risks process identifies forward-looking risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materialising or to limit their effect. Top risks are those that have the potential to have a material adverse impact on the financial results, reputation or business model of HSBC UK. We actively manage and take actions to mitigate our top risks. Emerging risks are those that, while they could have a material impact on our risk profile were they to occur, are not considered immediate and are not under active management.

Our current top and emerging risks are summarised on page 9 and discussed in more detail on page 14 of our Annual Report and Accounts 2024.

Top and emerging risks

Risk		Description
Externally driven		
Geopolitical and macroeconomic risk	▲	Our operations and portfolios are exposed to risks arising from political instability, civil unrest and military conflict, which could lead to disruption of our operations, physical risk to our staff and/or physical damage to our assets. We are also subject to cyclical and idiosyncratic macroeconomic risks which can be significant. Heightened geopolitical and macroeconomic risk globally, including uncertainty in international trade policy, with potential impacts on our business and our customers, is subject to close monitoring and review.
Credit risk	▶	We remain focused on assessing and managing the impacts of the evolving geopolitical and macroeconomic environment, with our early warning indicators helping us to identify segments that we believe may be at risk. Both Secured and Unsecured credit portfolios continue demonstrating resilience, and we continue to proactively monitor impacts from recent fiscal policy changes. We are yet to see any meaningful impacts following increases to Employers' National Insurance contributions and the National Minimum Wage. Further fiscal policy changes, including the risk of tax rises, may elevate credit risk. We continue to support customers who may experience financial vulnerability. The UK Unemployment rate (provided by the Office for National Statistics) is one of our key forward-looking risk indicators, with increases seen over recent months. Industry sector analysis is regularly conducted with particular focus on the Leisure and Hospitality, Retail and Consumer sectors, as well as Construction, Leveraged Finance, and Commercial Real Estate (Offices). We continue to undertake in-depth monitoring activities across portfolios and customers to help identify areas of stress or portfolio degradation. Reviews relating to US tariffs have demonstrated a relatively benign impact on the portfolio to date with HSBC UK also having negligible exposure to cross border risk with the Middle East.
Evolving regulatory environment risk	▶	The regulatory risk environment is increasingly complex, with ongoing focus by regulators to improve outcomes for banks' consumers, particularly vulnerable ones, as well as the orderly and transparent operation of financial markets. Other regulatory priorities include operational resilience (which includes cyber risk), model risk and financial crime risk management. We continue to monitor regulatory and wider industry developments closely, engaging with regulators as appropriate.
Financial crime and fraud risk	▲	We are exposed to financial crime risk from our customers, staff and third-parties engaging in criminal activity. The financial crime risk environment is heightened due to increasingly complex geopolitical challenges, the macroeconomic outlook, the elevated and dynamic nature of sanctions and export control compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud. Regulatory scrutiny has increased around scams and impacts from the Payment Systems Regulator's ('PSR') reimbursement requirements.
Cyber threat and unauthorised access to systems	▲	HSBC UK faces a risk of service disruption or loss of data resulting from technology failures or malicious activities by internal or external cyber threats. We continue to monitor for any changes to the technology and threat landscape, including those arising from ongoing geopolitical and macroeconomic events and any impact this may have on our technology supply chains. HSBC UK operates a continuous improvement programme to help protect and support the resilience and stability of our technology operations to enable us to counter a fast-evolving and heightened cyber threat environment. While M&S Bank has separate IT systems to Marks and Spencer plc, during the cybersecurity incident that impacted Marks and Spencer plc's retail operations in April 2025, our timely actions were designed to ensure that the impact on M&S Bank customers and HSBC UK infrastructure was minimised.
Environmental, social and governance risk	▲	We are subject to ESG risks, including climate change, nature and human rights. These risks have increased due to the increasing frequency of severe weather events, as well as the pace and volume of regulatory developments. Financial institutions' actions and investment decisions in respect of ESG matters continue to be subject to heightened scrutiny by stakeholders. Failure to meet these evolving expectations may have financial and non-financial impacts, including reputational, legal and regulatory compliance risks.
Digital currencies and disintermediation risk	▶	Focus remains on digital currencies from governments, regulatory bodies and central banks. There has been increased focus on Central Bank Digital Currency ('CBDC') and tokenisation with the BoE and His Majesty's Treasury ('HMT') consulting on the subject in the UK and more design studies and pilots taking place around the world. All economies developing a CBDC are doing so by using the existing banking intermediary networks and infrastructure. The cryptocurrency and stablecoin ecosystem has seen exceedingly volatile prices with some risk of contagion spreading beyond these markets. While we currently do not expect cryptocurrencies to move from being a speculative asset to being replacements for existing fiat currencies, the current approach to stablecoins will likely see significant and rapid developments in the US and other countries over the next 12 months. We continue to monitor the evolution of digital assets and decentralised finance across channels including consultations, pilots and issuances of digital currencies to assess the implications for our products and services, and our customers.
Internally driven		
People risk	▲	HSBC UK is exposed to risks associated with employee retention and talent availability, changing skills requirements of our workforce and compliance with employment laws and regulations. A failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or employment legal claims, with the inherent risk heightened during the current period of fundamental organisational change. The residual people risk is well managed and attrition remains stable.
IT systems infrastructure and service resilience	▶	The HSBC UK IT estate is complex and strengthening operational resilience remains a strategic imperative. Modernising and simplifying our technology architecture remains a core focus to strengthen the resiliency of our environment. We seek to identify, track, and manage technology resilience vulnerabilities to mitigate impact on business services. Multi-year investment continues to modernise and uplift our service resilience. We are committed to delivering improved customer outcomes by reducing disruptions for our customers. To achieve this, we are reducing reliance on non-strategic platforms, reducing complexity for colleagues and customers, and supporting stronger and safer change deployment controls. We are also increasing our use of cloud infrastructure thereby benefitting from its resilience and scalability as customer demand fluctuates.
Model risk	▲	Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications. The model landscape continues to be impacted by regulatory requirements driving material changes to the way model risk is managed across the banking industry in the UK. The Prudential Regulation Authority ('PRA')'s Supervisory Statement (SS 1/23) 'Model Risk Management Principles for Banks' has resulted in increased oversight and controls on the management of model risks. New technologies, including generative Artificial Intelligence ('AI'), are driving a need for enhanced model risk controls.
Conduct and customer detriment	▶	All regulatory milestones in the delivery of the Consumer Duty have been completed, helping ensure we act to deliver good outcomes for our customers across all impacted products and services. Consumer Duty requirements have been incorporated within our business as usual policies and practices, with full traceability of all deliverables against owners agreed and documented.

Risk		Description
Internally driven (continued)		
Data risk	▶	We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. Data risk remains a key area of focus for HSBC UK and is receiving significant management attention as we continue to enhance our control environment. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the regulations that govern data privacy and cross-border movement of data.
Third-party risk	▶	We procure goods and services from a range of third party providers. Due to the ongoing changes in the macroeconomic and geopolitical climate, the risk of service disruption in our supply chain is heightened. Any deficiency in the management of risks associated with our third parties could affect our ability to support our customers and meet regulatory expectations. We continue to enhance our processes, framework, and controls to improve the oversight of our third parties.
Execution risk	▲	Delivering change effectively is critical to achieving our strategy and enables us to meet rapidly-evolving customer and stakeholder needs. We seek to deliver complex change in line with established risk management processes, prioritising sustainable outcomes and understanding the associated risks. We focus on meeting industry and regulatory expectations and fulfilling our obligations to customers and clients. The impact of the ongoing reorganisation of the Group on the level of change execution risk in the near to medium term is being monitored.

▲ Risk has heightened during 2025

▶ Risk remains at the same level as 2024

Key developments in the first half of 2025

In the first half of 2025, we continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of our risk management framework. We also retained our focus on risk transformation and financial crime and continued to assess our operational resilience capability whilst prioritising the most significant enterprise risks. We made progress with and continue to develop capabilities to address key risks described in our Annual Report and Accounts 2024. More specifically, we sought to enhance our risk management in the following areas:

– We continue to focus on strengthening our regulatory reporting processes with a focus on data and controls. While this programme continues, there may be further impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.
– We strengthened our control environment as part of the Group through the continued embedding of a Global Control Oversight function, which aims to drive a centralised approach to controls oversight across the first line of defence business and process owners, including a globally consistent approach to control standards, aggregated reporting and testing.
– We enhanced our technology and cybersecurity controls to help improve the resilience and security of our technology services in response to the heightened external threat environment.
– We responded to new innovations in the financial system, including growing adoption of digital assets and currencies, as well as the evolving use of AI through reviewing and enhancing controls across risk areas to help us and our customers safely benefit from innovation.
– We enhanced our processes, framework and controls to improve the oversight of our third parties. We have strengthened our due diligence and monitoring capabilities with respect to the financial stability of our third parties to better manage our supply chain and we continue to assess and seek to manage operational resilience.
– We have continued to embed climate considerations within HSBC UK in alignment with HSBC Group's risk policy and guideline updates. This has been achieved through further assessment of our risk metrics to help monitor and manage exposures, through ongoing materiality assessment of climate risk in our risk taxonomy, and by seeking to enhance our internal climate scenario analysis capabilities.
– We deployed advanced technology and analytics capabilities to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from other products such as guarantees and derivatives.

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on page 25 of the Annual Report and Accounts 2024.

Credit risk in the first half of 2025

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

On 31 December 2024, the IFRS 9 allowance for ECL was £1,600m. This allowance has decreased by £29m to £1,571m at 30 June 2025.

The IFRS 9 allowance for ECL at 30 June 2025 comprises £1,486m in respect of assets held at amortised cost and £85m in respect of loan commitments and financial guarantees. There is a £1m allowance for ECL in respect of debt instruments measured at Fair value through other comprehensive income ('FVOCI').

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

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

	At 30 Jun 2025		At 31 Dec 2024	
	Gross carrying/ nominal amount	**Allowance for ECL[1]**	Gross carrying/ nominal amount	Allowance for ECL[1]
	£m	**£m**	£m	£m
Loans and advances to customers at amortised cost	**224,601**	**(1,467)**	219,092	(1,488)
Loans and advances to banks at amortised cost	**5,800**	**(2)**	7,265	(2)
Other financial assets measured at amortised cost	**77,571**	**(17)**	83,327	(8)
– cash and balances at central banks	**40,070**	**—**	52,276	—
– reverse repurchase agreements – non-trading	**15,556**	**—**	11,776	—
– financial investments	**19,437**	**—**	16,323	(1)
– prepayments, accrued income and other assets[2]	**2,508**	**(17)**	2,952	(7)
Total gross carrying amount on-balance sheet	**307,972**	**(1,486)**	309,684	(1,498)
Loans and other credit-related commitments	**79,975**	**(75)**	74,475	(99)
Financial guarantees	**1,099**	**(10)**	1,046	(3)
Total nominal amount off-balance sheet[3]	**81,074**	**(85)**	75,521	(102)
	389,046	**(1,571)**	385,205	(1,600)

	Fair value	**Memorandum allowance for ECL[4]**	Fair value	Memorandum allowance for ECL[4]
	£m	**£m**	£m	£m
Debt instruments measured at fair value through other comprehensive income	**23,999**	**(1)**	21,478	(1)

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets', as presented within the consolidated balance sheet on page 32, includes both financial and non-financial assets.
3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
4 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

The following table provides an overview of the group's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: These financial assets are unimpaired and without significant increase in credit risk for which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment, and the financial assets are therefore considered to be in default or otherwise credit impaired for which a lifetime ECL is recognised.
- Purchased or originated credit impaired ("POCI"): Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses for which a lifetime ECL is recognised. We did not have any such exposures as at 30 June 2025 or as at 31 December 2024.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

	Gross carrying/nominal amount[1]				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Loans and advances to customers at amortised cost	188,414	32,382	3,805	224,601	(264)	(512)	(691)	(1,467)	0.1	1.6	18.2	0.7
– personal	124,293	25,035	946	150,274	(132)	(250)	(188)	(570)	0.1	1.0	19.9	0.4
– corporate and commercial	56,212	7,153	2,740	66,105	(124)	(259)	(496)	(879)	0.2	3.6	18.1	1.3
– non-bank financial institutions	7,909	194	119	8,222	(8)	(3)	(7)	(18)	0.1	1.5	5.9	0.2
Loans and advances to banks at amortised cost	5,798	—	2	5,800	—	—	(2)	(2)	—	—	100.0	—
Other financial assets measured at amortised cost	77,428	112	31	77,571	(7)	(8)	(2)	(17)	—	7.1	6.5	—
Loan and other credit-related commitments	77,405	2,225	345	79,975	(26)	(15)	(34)	(75)	—	0.7	9.9	0.1
– personal	42,305	610	34	42,949	(7)	(2)	—	(9)	—	0.3	—	—
– corporate and commercial	27,855	1,541	247	29,643	(18)	(13)	(34)	(65)	0.1	0.8	13.8	0.2
– financial	7,245	74	64	7,383	(1)	—	—	(1)	—	—	—	—
Financial guarantee and similar contracts	981	83	35	1,099	—	—	(10)	(10)	—	—	28.6	0.9
– personal	298	7	—	305	—	—	—	—	—	—	—	—
– corporate and commercial	485	74	35	594	—	—	(10)	(10)	—	—	28.6	1.7
– financial	198	2	—	200	—	—	—	—	—	—	—	—
At 30 Jun 2025	350,026	34,802	4,218	389,046	(297)	(535)	(739)	(1,571)	0.1	1.5	17.5	0.4
Loans and advances to customers at amortised cost	180,408	35,152	3,532	219,092	(275)	(565)	(648)	(1,488)	0.2	1.6	18.3	0.7
– personal	121,438	24,971	857	147,266	(117)	(245)	(169)	(531)	0.1	1.0	19.7	0.4
– corporate and commercial	51,144	9,858	2,638	63,640	(150)	(315)	(448)	(913)	0.3	3.2	17.0	1.4
– non-bank financial institutions	7,826	323	37	8,186	(8)	(5)	(31)	(44)	0.1	1.5	83.8	0.5
Loans and advances to banks at amortised cost	7,263	—	2	7,265	—	—	(2)	(2)	—	—	100.0	—
Other financial assets measured at amortised cost	83,160	136	31	83,327	(4)	(2)	(2)	(8)	—	1.5	6.5	—
Loan and other credit-related commitments	70,280	3,810	385	74,475	(26)	(28)	(45)	(99)	—	0.7	11.7	0.1
– personal	40,412	345	38	40,795	(5)	—	(2)	(7)	—	—	5.3	—
– corporate and commercial	24,866	3,249	334	28,449	(20)	(28)	(42)	(90)	0.1	0.9	12.6	0.3
– financial	5,002	216	13	5,231	(1)	—	(1)	(2)	—	—	7.7	—
Financial guarantee and similar contracts	877	161	8	1,046	—	—	(3)	(3)	—	—	37.5	0.3
– personal	306	7	—	313	—	—	—	—	—	—	—	—
– corporate and commercial	380	121	8	509	—	—	(3)	(3)	—	—	37.5	0.6
– financial	191	33	—	224	—	—	—	—	—	—	—	—
At 31 Dec 2024	341,988	39,259	3,958	385,205	(305)	(595)	(700)	(1,600)	0.1	1.5	17.7	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due 'DPD' and are transferred from Stage 1 to Stage 2. The following disclosure presents the ageing of Stage 2 financial assets by those less than 30 DPD and greater than 30 DPD and therefore presents those financial assets classified as stage 2 due to ageing (30 DPD) and those identified at an earlier stage (less than 30 DPD).

Stage 2 days past due analysis at 30 June 2025

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 2	of which: Up-to-date	of which: 1 to 29 DPD[1]	of which: 30 and > DPD[1]	Stage 2	of which: Up-to-date	of which: 1 to 29 DPD[1]	of which: 30 and > DPD[1]	Stage 2	of which: Up-to-date	of which: 1 to 29 DPD[1]	of which: 30 and > DPD[1]
	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Loans and advances to customers at amortised cost	**32,382**	**31,937**	**278**	**167**	**(512)**	**(457)**	**(30)**	**(25)**	**1.6**	**1.4**	**10.8**	**15.0**
– personal	**25,035**	**24,775**	**164**	**96**	**(250)**	**(206)**	**(24)**	**(20)**	**1.0**	**0.8**	**14.6**	**20.8**
– corporate and commercial	**7,153**	**6,968**	**114**	**71**	**(259)**	**(248)**	**(6)**	**(5)**	**3.6**	**3.6**	**5.3**	**7.0**
– non-bank financial institutions	**194**	**194**	**—**	**—**	**(3)**	**(3)**	**—**	**—**	**1.5**	**1.5**	**—**	**—**
Other financial assets measured at amortised cost	**112**	**112**	**—**	**—**	**(8)**	**(8)**	**—**	**—**	**7.1**	**7.1**	**—**	**—**
Loans and advances to customers at amortised cost:	35,152	34,612	363	177	(565)	(509)	(30)	(26)	1.6	1.5	8.3	14.7
– personal	24,971	24,640	214	117	(245)	(201)	(23)	(21)	1.0	0.8	10.7	17.9
– corporate and commercial	9,858	9,649	149	60	(315)	(303)	(7)	(5)	3.2	3.1	4.7	8.3
– non-bank financial institutions	323	323	—	—	(5)	(5)	—	—	1.5	1.5	—	—
Other financial assets measured at amortised cost	136	136	—	—	(2)	(2)	—	—	1.5	1.5	—	—

1 The dpd amounts presented above are on a contractual basis and include the benefit of any customer relief payment holidays granted.

Stage 2 decomposition

The following disclosure presents the stage 2 decomposition of gross carrying amount and associated allowances for ECL for loans and advances to customers and banks. It also sets out the reasons that caused the exposures to be classified as stage 2 and therefore presented as a significant increase in credit risk at 30 June 2025.

The quantitative classification shows gross carrying amount and allowances for ECL for which the applicable reporting date PD measure exceeds defined quantitative thresholds for retail and wholesale exposures.

The qualitative classification primarily accounts for Customer risk rating ('CRR') deterioration, watch-and-worry and retail management judgemental adjustments.

▶ A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material policies' on page 95 of the Annual Reports and Accounts 2024.

Loans and advances to customers and banks[1]

	At 30 Jun 2025							
	Loans and advances to customers						Loans and advances to banks at amortised cost	Total stage 2
	Personal	of which: First lien mortgage	of which: Credit cards	of which: Other personal lending	Corporate and commercial	Non-bank financial institutions		
	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	**23,298**	**21,762**	**894**	**642**	**3,617**	**160**	**—**	**27,075**
Qualitative	**1,736**	**1,687**	**21**	**28**	**3,472**	**34**	**—**	**5,242**
of which: forbearance	**60**	**17**	**17**	**26**	**269**	**—**	**—**	**329**
30 DPD backstop	**1**	**—**	**1**	**—**	**64**	**—**	**—**	**65**
Total gross carrying amount	**25,035**	**23,449**	**916**	**670**	**7,153**	**194**	**—**	**32,382**
Quantitative	**(234)**	**(39)**	**(126)**	**(69)**	**(176)**	**(3)**	**—**	**(413)**
Qualitative	**(16)**	**(10)**	**(6)**	**—**	**(81)**	**—**	**—**	**(97)**
of which: forbearance	**(9)**	**(4)**	**(5)**	**—**	**(8)**	**—**	**—**	**(17)**
30 DPD backstop	**—**	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**
Total allowance for ECL	**(250)**	**(49)**	**(132)**	**(69)**	**(259)**	**(3)**	**—**	**(512)**
ECL coverage %	**1.0**	**0.2**	**14.4**	**10.3**	**3.6**	**1.5**	**—**	**1.6**
	At 31 Dec 2024							
Quantitative	23,222	21,991	615	616	7,320	304	—	30,846
Qualitative	1,748	1,690	29	29	2,479	19	—	4,246
of which: forbearance	65	10	28	27	184	3	—	252
30 DPD backstop	1	—	1	—	59	—	—	60
Total gross carrying amount	24,971	23,681	645	645	9,858	323	—	35,152
Quantitative	(239)	(38)	(136)	(65)	(240)	(5)	—	(484)
Qualitative	(6)	(4)	(1)	(1)	(71)	—	—	(77)
of which: forbearance	(1)	—	—	(1)	(4)	—	—	(5)
30 DPD backstop	—	—	—	—	(4)	—	—	(4)
Total allowance for ECL	(245)	(42)	(137)	(66)	(315)	(5)	—	(565)
ECL coverage %	1.0	0.2	21.2	10.2	3.2	1.5	—	1.6

1 Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross carrying amount and ECL have been assigned in order of categories presented.
2 The decrease in Corporate and commercial balance includes the impact of new Wholesale PD models.

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts and distributional estimates and apply these to credit risk models to estimate future credit losses. The results are then probability-weighted to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the economic scenarios and their weightings.

Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.

Methodology

At 30 June 2025, four economic scenarios have been used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates in each quarter.

Three of the scenarios, the Upside, Central and Downside scenarios are drawn from the external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus estimates serve as inputs into the scenario generation process for the Upside, Central and Downside scenarios. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations. They are calibrated to a 10% probability.

The fourth scenario is narrative-driven and explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends. It is calibrated to a 5% probability.

This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

Management asserted that risk and uncertainty around the Central scenario projection remained elevated in the second quarter of 2025 and scenario weights were adjusted. Weight was reassigned from the Central to the consensus Downside scenario.

In the second quarter of 2025, outer scenarios have been configured as demand shocks. To the downside, the crystallisation of economic risks causes consumption and investment to fall sharply and commodity prices to decline. Inflation is lower relative to the Central scenario. In the upside scenario, robust economic growth drives investment and consumption higher, causing a temporary acceleration of inflation.

Economic scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

Description of consensus economic scenarios

The economic assumptions presented in this section are formed by HSBC with reference to external forecasts and estimates for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture potential crystallisation of key macro-financial risks and alternative paths for economic variables.

The scenarios used to calculate ECL in the Interim Report 2025 are described below.

The consensus Central scenario

HSBC's Central scenario incorporates an expectation of slower global growth in 2025-26, relative to the fourth quarter of 2024. The deterioration reflects the anticipated effect of greater policy uncertainty and higher US tariff rates on trade, investment and employment. In the UK, household and business confidence has weakened amid high policy uncertainty and restrictive interest rates.

GDP is expected to be 0.9% in 2025 in the Central scenario. The average rate of UK GDP growth is expected to be 1.4% over the forecast period.

The key features of our Central scenario are:

- GDP growth is expected to slow in 2025 compared with 2024 and recover only gradually through 2026.
- Consistent with weaker expected growth, unemployment is forecast to rise moderately in 2025, but remain low by historical standards.
- Inflation is set to remain above target through 2025 and 2026, driven by utility prices, employer taxes and wage costs.
- Weak conditions in housing markets are expected to persist through 2026 and 2027.
- Challenging conditions are also forecast to continue in the commercial property sector. Structural changes to demand in the office segment in particular have driven lower valuations.
- Policy interest rates are forecast to have peaked and are projected to decline in 2025 and 2026. In the longer term, they are expected to remain at a higher level than in the pre-pandemic period.
- The Brent crude oil price is forecast to average around $65 per barrel over the projection period.

The Central scenario was created from consensus forecasts available in May, and reviewed continually until the end of June 2025.

The following table describes key macroeconomic variables in the consensus Central scenario at 30 June 2025.

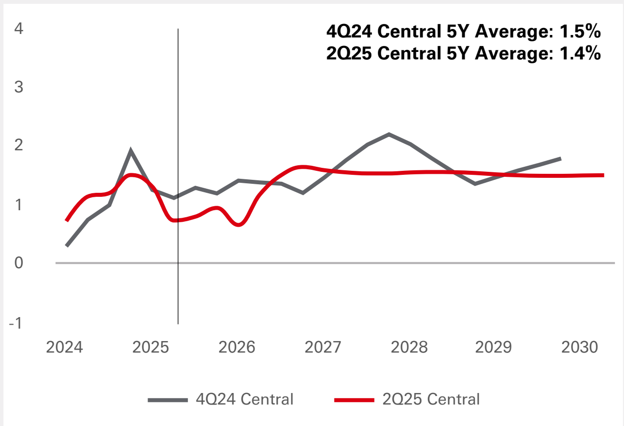
Central scenario

	2025 Q3-2030 Q2[1]	Average 2025-2029[2]
	UK%	UK%
GDP growth rate (annual average growth rate, %)	1.4	1.5
Unemployment rate (%)	4.4	4.5
House price index (annual average growth rate, %)	2.4	3.2
Inflation rate (annual average growth rate, %)	2.2	2.1
Central bank policy rate (annual average, %)	3.8	3.9

1 The five year average is calculated over a projected period of 20 quarters from 3Q25 to 2Q30 as at 2Q25.
2 As at 4Q24.

The graph compares the respective Central scenario at year end 2024 with current economic expectations in the second quarter of 2025.

GDP growth: Comparison of Central scenarios



Note: Real GDP shown as year-on-year percentage change.

The consensus Upside scenario

Compared to the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to the long-run trend expectations. It also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario.

The scenario is consistent with a number of key upside risk themes. These include a rollback of tariff measures, deregulation, a de-escalation in geopolitical tensions as the Russia-Ukraine war moves towards a conclusion and conflict in the Middle East subside, and an improvement in the US-China relationship.

The following table describes key macroeconomic variables in the consensus Upside scenario.

Consensus Upside scenario best outcome

	2025 Q3-2030 Q2[4]	2025 Q1-2029 Q4[5]
GDP growth rate (%, start-to-peak)[1]	**11.0 (2Q30)**	11.3 (4Q29)
Unemployment rate (%, min)[2]	**3.0 (1Q27)**	3.5 (3Q26)
House price index (%, start-to-peak)[1]	**18.2 (2Q30)**	24.2 (4Q29)
Inflation rate (YoY % change, max)[3]	**3.3 (4Q25)**	1.4 (1Q26)
Central bank policy rate (%, max)[3]	**4.3 (3Q25)**	3.6 (4Q25)

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 Lowest projected unemployment in the scenario.
3 Highest (lowest for the 4Q24 comparison) projected policy rates and YoY percentage change in inflation in the scenario.
4 As at 2Q25.
5 As at 4Q24.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks. The scenarios are modelled so that economic shocks drive consumption and investment lower, and commodity prices fall. Inflation and interest rates are lower in the downside scenarios compared with the Central scenario. Interest rates are also assumed to rise to a higher level, before the effects of weaker consumption demand begin to dominate.

As the geopolitical environment remains volatile and complex, risks include:

– an increase in protectionist policies, as countries that impose tariffs are met with countermeasures. This lowers investment, complicates international supply chains and reduces trade flows;

– a broader and more prolonged conflict in the Middle East and between Russia and Ukraine, that undermines confidence, and investment; and

– continued differences between the US and China, which affects economic confidence, and the global goods trade and supply chains for critical technologies.

The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario, and the impact of tariffs on the global economy is worse than expected.

In this scenario, GDP declines, unemployment rates increase, and asset prices fall. The scenario features an increase in tariffs above the Central scenario and an escalation of geopolitical tensions. Inflation declines more quickly compared with the Central scenario, as tariffs are assumed to drive a drop in US import demand. Rising unemployment and falling commodity prices are also calibrated so that they weigh on activity.

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Downside scenario.

Consensus Downside scenario worst outcome

	2025 Q3-2030 Q2[4]	2025 Q1-2029 Q4[5]
GDP growth rate (%, start-to-trough)[1]	**(0.9) (3Q27)**	(1.0) (4Q26)
Unemployment rate (%, max)[2]	**6.2 (3Q26)**	6.1 (4Q25)
House price index (%, start-to-trough)[1]	**(6.4) (4Q26)**	(4.5) (1Q26)
Inflation rate (YoY % change, min)[3]	**1.3 (2Q26)**	3.4 (4Q25)
Central bank policy rate (%, min)[3]	**2.4 (1Q28)**	5.0 (1Q25)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment in the scenario.
3 The lowest (highest for the 4Q24 comparison) projected YoY percentage change in inflation and projected policy rates in the scenario.
4 As at 2Q25.
5 As at 4Q24.

Downside 2 scenario

The Downside 2 scenario features a deep recession and reflects management's view of the tail of the economic risk distribution. The narrative incorporates the crystallisation of a number of risks simultaneously, including a significant increase in tariffs and a further escalation in geopolitical tensions. In this scenario, confidence and asset prices fall sharply. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

The following table describes key macroeconomic variables and the probability assigned in the Downside 2 scenario.

Downside 2 scenario worst outcome

	2025 Q3-2030 Q2[4]	2025 Q1-2029 Q4[5]
GDP growth rate (%, start-to-trough)[1]	**(5.5) (4Q26)**	(9.1) (2Q26)
Unemployment rate (%, max)[2]	**8.7 (4Q26)**	8.4 (2Q26)
House price index (%, start-to-trough)[1]	**(26.8) (2Q27)**	(27.2) (4Q26)
Inflation rate (YoY % change, min)[3]	**(1.9) (2Q26)**	10.1 (2Q25)
Central bank policy rate (%, min)[3]	**1.6 (3Q26)**	5.5 (1Q25)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment in the scenario.
3 The lowest (highest for the 4Q24 comparison) projected YoY percentage change in inflation and projected policy rates in the scenario.
4 As at 2Q25.
5 As at 4Q24.

Scenario weightings

Scenario weightings are calibrated to probabilities that are determined with reference to consensus forecast probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and the probability distribution, takes into consideration the relationship of the consensus scenario for both internal and external assessments of risk.

In the second quarter of 2025, the key considerations around uncertainty attached to the Central scenario projections focused on:

- US import tariffs and bilateral tariff escalation globally. Discussion noted the impact on trade and manufacturing supply chains and the uncertainty attached to tariff rate assumptions;
- the outlook for real estate in UK;
- estimation and forecast uncertainty for UK unemployment given ongoing methodology updates at the UK Office for National Statistics; and
- geopolitical risks, including ongoing tensions in the Middle East and the Russia-Ukraine war.

For the second quarter of 2025, scenario weights were adjusted to the downside to reflect greater risk and uncertainty around the Central scenario projection. Management assessed that a change to the global scenario weightings was appropriate given elevated market measures of volatility and policy uncertainty.

As a consequence, the consensus Central scenario was assigned a weight of 65%, down from 75% at 31 December 2024. The weight assigned to the consensus Upside scenario was left unchanged at 10%. The remaining 25% was assigned to the two Downside scenarios. The consensus Downside received a weight of 20%, up from 10% at 31 December 2024. The weight assigned to the Downside 2 was left unchanged at 5%.

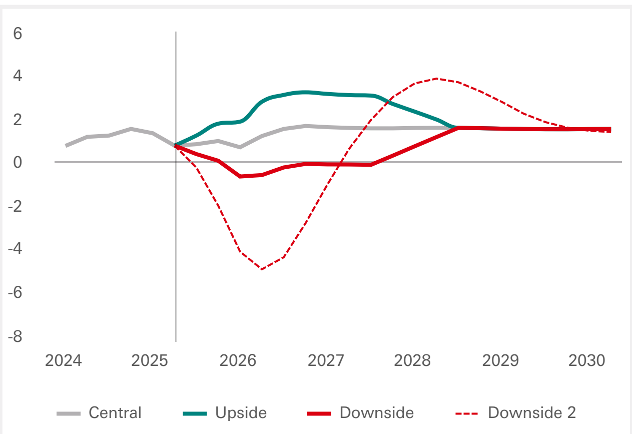
In light of the Israel-Iran conflict in the Middle East during June 2025, management monitored developments and assessed potential implications. Given the limited lasting consequences for global markets, including oil, and the swift subsequent de-escalation, no additional action was deemed necessary for economic scenario or weights.

Scenario weights %

	2Q25	4Q24
Upside	**10.0**	10.0
Central	**65.0**	75.0
Downside	**20.0**	10.0
Downside 2	**5.0**	5.0

The following graph shows the historical and forecasted GDP growth rate for the various economic scenarios.

UK GDP growth



Critical estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates as at 30 June 2025. These included:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

How economic scenarios are reflected in ECL

The methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail portfolios are set out on page 36 of the Annual Report and Accounts 2024. Models are used to reflect economic scenarios on ECL estimates. These models are based largely on historical observations and correlations with default.

Economic forecasts and ECL model responses to these forecasts are subject to a degree of uncertainty. The models continue to be supplemented by management judgemental adjustments where required.

Management judgemental adjustments

The drivers and types of management judgemental adjustments in relation to ECL allowance are detailed on page 37 of the Annual Report and Accounts 2024.

Management judgemental adjustments made in estimating the reported ECL at 30 June 2025 are set out in the following table:

Management judgemental adjustments to ECL at 30 June 2025[1]

	Retail	**Wholesale[2]**	**Total**
	£m	**£m**	**£m**
Modelled ECL (A)[3]	**558**	**371**	**929**
Corporate lending adjustments	**—**	**—**	**—**
Inflation related adjustments	**—**	**—**	**—**
Other credit judgements	**16**	**—**	**16**
Total management judgemental adjustments (B)[4]	**16**	**—**	**16**
Other adjustments (C)[5]	**10**	**54**	**64**
Final ECL (A + B + C)[6]	**584**	**425**	**1,009**

Management judgemental adjustments to ECL at 31 December 2024[1]

	Retail	Wholesale[2]	Total
	£m	£m	£m
Modelled ECL (A)[3]	582	512	1,094
Corporate lending adjustments	—	—	—
Inflation related adjustments	3	—	3
Other credit judgements	7	—	7
Total management judgemental adjustments (B)[4]	10	—	10
Other adjustments (C)[5]	(43)	14	(29)
Final ECL (A + B + C)[6]	549	526	1,075

1 Management judgemental adjustments presented in the table reflect increases or (decreases) to allowance for ECL, respectively.
2 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).
3 (A) refers to probability-weighted allowance for ECL before any adjustments are applied.
4 (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.
5 (C) refers to adjustments to allowance for ECL made to address process limitations and data/model deficiencies, and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.
6 As presented within our internal credit risk governance.

At 30 June 2025, total adjustments to the modelled output were an ECL increase of £54m for the Wholesale portfolio, comprising £46m relating to Corporate, Banks and Sovereign portfolios and £8m relating to Retail SME portfolios (31 December 2024: £14m increase including £8m from Retail SME). The adjustments reflected certain model limitations and data related adjustments.

At 30 June 2025, total adjustments to the modelled output were an ECL increase of £26m for the Retail portfolio (31 December 2024: £33m decrease). Management judgemental adjustments relating to Other credit judgements increased ECL by £16m (31 December 2024: £7m).

Economic scenarios sensitivity analysis of ECL estimates

The economic scenarios sensitivity analysis of ECL estimates is detailed on page 38 of the Annual Report and Accounts 2024.

Wholesale and retail sensitivity

The wholesale and retail sensitivity tables present the 100% weighted results. These exclude small portfolios, and as such cannot be directly compared with personal and wholesale lending presented in other credit risk tables. In both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable with the current period, because they reflect different risks relative to the consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments is same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Wholesale analysis

IFRS 9 ECL sensitivity to future economic conditions[1,2,3]

	30 Jun 2025	31 Dec 2024
	£m	£m
ECL of financial instruments subject to significant measurement uncertainty at 30 June 2025[1]		
Reported ECL	**425**	526
Consensus scenarios		
Central scenario	**399**	491
Upside scenario	**360**	390
Downside scenario	**481**	620
Downside 2 scenario	**702**	1,599

1 ECL sensitivity includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.
2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 22.

Compared with 31 December 2024, the Downside 2 ECL impact was lower, due to new PD models coupled with slower deterioration of the macroeconomic conditions under this scenario relating to risks associated with tariffs, supply chains, geopolitical events and other similar stresses. The new PD models include a recent calibration of credit risk experience under higher interest rate environment and result in a reduction of sensitivity to severe stress under similar conditions.

Retail analysis

IFRS 9 ECL sensitivity to future economic conditions[1]

	30 Jun 2025	31 Dec 2024
	£m	£m
ECL of loans and advances to customers at 30 June 2025		
Reported ECL	**551**	516
Consensus scenarios		
Central scenario	**538**	498
Upside scenario	**500**	470
Downside scenario	**563**	520
Downside 2 scenario	**769**	866

1 ECL sensitivities exclude portfolios utilising less complex modelling approaches.

At 30 June 2025, Mortgages reflected the lowest level of ECL sensitivity as collateral values remain resilient. Credit cards and other unsecured lending across stage 1 and 2 are more sensitive to economic forecasts and therefore reflected the higher level of ECL sensitivity during the first half of 2025.

Reconciliation of changes in gross carrying/ nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

The following disclosure provides a reconciliation by stage of the group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

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

Changes in 'Net new and further lending/repayments' represents the impact from volume movements within the Group's lending portfolio and includes 'New financial assets originated or purchased', 'assets derecognised (including final repayments)' and 'changes to risk parameters – further lending/repayment'.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

(Reviewed)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	**256,122**	**(301)**	**39,027**	**(593)**	**3,927**	**(698)**	**—**	**—**	**299,076**	**(1,592)**
Transfers of financial instruments:	**(1,407)**	**(166)**	**451**	**217**	**956**	**(51)**	**—**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	**(15,154)**	**51**	**15,154**	**(51)**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**13,880**	**(205)**	**(13,880)**	**205**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(238)**	**2**	**(984)**	**87**	**1,222**	**(89)**	**—**	**—**	**—**	**—**
– transfers from stage 3	**105**	**(14)**	**161**	**(24)**	**(266)**	**38**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**148**	**—**	**(104)**	**—**	**(3)**	**—**	**—**	**—**	**41**
Net new and further lending/ (repayments)	**13,174**	**(11)**	**(4,788)**	**85**	**(379)**	**150**	**—**	**—**	**8,007**	**224**
Changes to risk parameters – credit quality	**—**	**32**	**—**	**(214)**	**—**	**(441)**	**—**	**—**	**—**	**(623)**
Changes to model used for ECL calculation	**—**	**7**	**—**	**82**	**—**	**(11)**	**—**	**—**	**—**	**78**
Assets written off	**—**	**—**	**—**	**—**	**(317)**	**317**	**—**	**—**	**(317)**	**317**
Foreign exchange	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 30 Jun 2025	**267,889**	**(290)**	**34,690**	**(527)**	**4,187**	**(737)**	**—**	**—**	**306,766**	**(1,554)**
ECL income statement change for the period		**176**		**(151)**		**(305)**		**—**		**(280)**
Recoveries										**38**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(8)**
Total ECL income statement change for the period										**(250)**
At 1 Jan 2024	240,631	(317)	47,362	(780)	4,252	(710)	—	—	292,245	(1,807)
Transfers of financial instruments:	(3,927)	(290)	2,298	344	1,629	(54)	—	—	—	—
– transfers from stage 1 to stage 2	(37,934)	156	37,934	(156)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	34,287	(417)	(34,287)	417	—	—	—	—	—	—
– transfers to stage 3	(585)	5	(1,833)	145	2,418	(150)	—	—	—	—
– transfers from stage 3	305	(34)	484	(62)	(789)	96	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	254	—	(158)	—	(8)	—	—	—	88
Net new and further lending/ repayments	19,372	(67)	(10,633)	231	(1,349)	298	—	—	7,390	462
Changes to risk parameters – credit quality	—	99	—	(235)	—	(811)	—	—	—	(947)
Changes to model used for ECL calculation	—	21	—	5	—	(18)	—	—	—	8
Assets written off	—	—	—	—	(605)	605	—	—	(605)	605
Foreign exchange	—	(1)	—	—	—	—	—	—	—	(1)
Others	46	—	—	—	—	—	—	—	46	—
At 31 Dec 2024	256,122	(301)	39,027	(593)	3,927	(698)	—	—	299,076	(1,592)
ECL income statement change for the period		307		(157)		(539)		—		(389)
Recoveries										74
Others	—	—	—	—	—	—	—	—	—	(4)
Total ECL income statement change for the period										(319)

1 The Reconciliation excludes loans and advances and commitments to other HSBC Group companies. As at 30 June 2025, these amounted to £0.7bn (2024: £1.2bn) and were classified as stage 1 with no ECL.

Credit quality of financial instruments

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of the PD, whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit-impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the following table. Personal lending credit quality is disclosed based on a 12-month point-in-time PD adjusted for multiple economic scenarios. The credit quality classifications for wholesale lending are based on internal credit risk ratings.

Credit quality classification

	Debt securities and other bills	Wholesale lending		Retail lending	
	External credit rating	Internal credit rating[1]	12-month Regulatory probability of default %	Internal credit rating	12 month probability-weighted PD %[2]
Quality classification					
Strong	A- and above	CRR 1 to CRR 2	0 – 0.169	Band 1 and 2	0 – <=0.5
Good	BBB+ to BBB-	CRR 3	0.170 – 0.740	Band 3	>0.5 – <=1.5
Satisfactory	BB+ to B and unrated	CRR 4 to CRR 5	0.741 – 4.914	Band 4 and 5	>1.5 – <=20
Sub-standard	B- to C	CRR 6 to CRR 8	4.915 – 99.999	Band 6	>20 – <100
Credit impaired	Default	CRR 9 to CRR 10	100.000	Band 7	100

1 Customer risk rating.
2 12-month point-in-time probability-weighted PD.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation

(Reviewed)

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Allowance for ECL	Net
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to customers at amortised cost	132,065	46,021	37,861	4,849	3,805	224,601	(1,467)	223,134
– stage 1	120,865	35,501	30,715	1,333	—	188,414	(264)	188,150
– stage 2	11,200	10,520	7,146	3,516	—	32,382	(512)	31,870
– stage 3	—	—	—	—	3,805	3,805	(691)	3,114
– POCI	—	—	—	—	—	—	—	—
Loans and advances to banks at amortised cost	5,798	—	—	—	2	5,800	(2)	5,798
– stage 1	5,798	—	—	—	—	5,798	—	5,798
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	2	2	(2)	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	77,117	186	236	1	31	77,571	(17)	77,554
– stage 1	77,082	160	185	1	—	77,428	(7)	77,421
– stage 2	35	26	51	—	—	112	(8)	104
– stage 3	—	—	—	—	31	31	(2)	29
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	50,163	15,866	12,912	689	345	79,975	(75)	79,900
– stage 1	50,069	15,662	11,472	202	—	77,405	(26)	77,379
– stage 2	94	204	1,440	487	—	2,225	(15)	2,210
– stage 3	—	—	—	—	345	345	(34)	311
– POCI	—	—	—	—	—	—	—	—
Financial guarantees	508	202	310	44	35	1,099	(10)	1,089
– stage 1	508	202	268	3	—	981	—	981
– stage 2	—	—	42	41	—	83	—	83
– stage 3	—	—	—	—	35	35	(10)	25
– POCI	—	—	—	—	—	—	—	—
At 30 Jun 2025	**265,651**	**62,275**	**51,319**	**5,583**	**4,218**	**389,046**	**(1,571)**	**387,475**
Debt instruments at FVOCI[1]	24,500	—	—	—	—	24,500	(1)	24,499
– stage 1	24,500	—	—	—	—	24,500	(1)	24,499
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 30 Jun 2025	**24,500**	**—**	**—**	**—**	**—**	**24,500**	**(1)**	**24,499**

1 For the purposes of this disclosure gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation (continued)

(Reviewed)

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Allowance for ECL	Net
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to customers at amortised cost	128,253	44,989	37,009	5,309	3,532	219,092	(1,488)	217,604
– stage 1	117,139	32,452	29,282	1,535	—	180,408	(275)	180,133
– stage 2	11,114	12,537	7,727	3,774	—	35,152	(565)	34,587
– stage 3	—	—	—	—	3,532	3,532	(648)	2,884
– POCI	—	—	—	—	—	—	—	—
Loans and advances to banks at amortised cost	7,263	—	—	—	2	7,265	(2)	7,263
– stage 1	7,263	—	—	—	—	7,263	—	7,263
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	2	2	(2)	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	82,826	203	261	6	31	83,327	(8)	83,319
– stage 1	82,791	167	200	2	—	83,160	(4)	83,156
– stage 2	35	36	61	4	—	136	(2)	134
– stage 3	—	—	—	—	31	31	(2)	29
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	45,768	14,077	13,135	1,110	385	74,475	(99)	74,376
– stage 1	45,482	12,877	11,527	394	—	70,280	(26)	70,254
– stage 2	286	1,200	1,608	716	—	3,810	(28)	3,782
– stage 3	—	—	—	—	385	385	(45)	340
– POCI	—	—	—	—	—	—	—	—
Financial guarantees	490	228	240	80	8	1,046	(3)	1,043
– stage 1	490	217	167	3	—	877	—	877
– stage 2	—	11	73	77	—	161	—	161
– stage 3	—	—	—	—	8	8	(3)	5
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	264,600	59,497	50,645	6,505	3,958	385,205	(1,600)	383,605
Debt instruments at FVOCI[1]	22,263	—	—	—	—	22,263	(1)	22,262
– stage 1	22,263	—	—	—	—	22,263	(1)	22,262
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	22,263	—	—	—	—	22,263	(1)	22,262

1 For the purposes of this disclosure gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Wholesale lending

This section provides further detail on the industries in wholesale loans and advances to customers and banks. Industry granularity is also provided by stage.

Total wholesale lending for loans and advances to banks and customers by stage distribution

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate and commercial	**56,212**	**7,153**	**2,740**	**—**	**66,105**	**(124)**	**(259)**	**(496)**	**—**	**(879)**
– agriculture, forestry and fishing	**3,709**	**451**	**217**	**—**	**4,377**	**(7)**	**(19)**	**(31)**	**—**	**(57)**
– mining and quarrying	**455**	**35**	**114**	**—**	**604**	**(1)**	**(1)**	**(39)**	**—**	**(41)**
– manufacture	**7,012**	**1,043**	**445**	**—**	**8,500**	**(9)**	**(25)**	**(75)**	**—**	**(109)**
– electricity, gas, steam and air-conditioning supply	**1,425**	**93**	**6**	**—**	**1,524**	**(2)**	**(3)**	**(1)**	**—**	**(6)**
– water supply, sewerage, waste management and remediation	**857**	**57**	**17**	**—**	**931**	**(2)**	**(1)**	**(1)**	**—**	**(4)**
– real estate and construction	**12,023**	**1,620**	**426**	**—**	**14,069**	**(26)**	**(73)**	**(80)**	**—**	**(179)**
– of which: CRE	**9,859**	**1,447**	**320**	**—**	**11,626**	**(22)**	**(64)**	**(53)**	**—**	**(139)**
– wholesale and retail trade, repair of motor vehicles and motorcycles	**9,106**	**1,116**	**469**	**—**	**10,691**	**(13)**	**(28)**	**(110)**	**—**	**(151)**
– transportation and storage	**2,113**	**189**	**47**	**—**	**2,349**	**(2)**	**(4)**	**(4)**	**—**	**(10)**
– accommodation and food	**4,456**	**832**	**377**	**—**	**5,665**	**(16)**	**(32)**	**(23)**	**—**	**(71)**
– publishing, audiovisual and broadcasting	**2,815**	**515**	**207**	**—**	**3,537**	**(18)**	**(31)**	**(53)**	**—**	**(102)**
– professional, scientific and technical activities	**4,114**	**320**	**96**	**—**	**4,530**	**(11)**	**(13)**	**(25)**	**—**	**(49)**
– administrative and support services	**4,637**	**324**	**76**	**—**	**5,037**	**(7)**	**(10)**	**(20)**	**—**	**(37)**
– education	**733**	**88**	**31**	**—**	**852**	**(2)**	**(5)**	**(13)**	**—**	**(20)**
– health and care	**1,442**	**181**	**94**	**—**	**1,717**	**(4)**	**(7)**	**(15)**	**—**	**(26)**
– arts, entertainment and recreation	**608**	**50**	**35**	**—**	**693**	**(2)**	**(2)**	**(3)**	**—**	**(7)**
– other services	**705**	**239**	**83**	**—**	**1,027**	**(2)**	**(5)**	**(3)**	**—**	**(10)**
– activities of households	**1**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**
– government	**1**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**
Non-bank financial institutions	**7,909**	**194**	**119**	**—**	**8,222**	**(8)**	**(3)**	**(7)**	**—**	**(18)**
Loans and advances to banks	**5,798**	**—**	**2**	**—**	**5,800**	**—**	**—**	**(2)**	**—**	**(2)**
At 30 Jun 2025	**69,919**	**7,347**	**2,861**	**—**	**80,127**	**(132)**	**(262)**	**(505)**	**—**	**(899)**

Total wholesale credit-related commitments and financial guarantee by stage distribution

	Nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate and commercial	**28,340**	**1,615**	**282**	**—**	**30,237**	**(18)**	**(13)**	**(44)**	**—**	**(75)**
Financial	**7,443**	**76**	**64**	**—**	**7,583**	**(1)**	**—**	**—**	**—**	**(1)**
At 30 Jun 2025	**35,783**	**1,691**	**346**	**—**	**37,820**	**(19)**	**(13)**	**(44)**	**—**	**(76)**

Total wholesale lending for loans and advances to banks and customers by stage distribution (continued)

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate and commercial	51,144	9,858	2,638	—	63,640	(150)	(315)	(448)	—	(913)
– agriculture, forestry and fishing	3,416	709	192	—	4,317	(9)	(22)	(24)	—	(55)
– mining and quarrying	423	178	1	—	602	(1)	(4)	—	—	(5)
– manufacture	6,483	1,127	341	—	7,951	(13)	(33)	(65)	—	(111)
– electricity, gas, steam and air-conditioning supply	1,305	43	5	—	1,353	(2)	—	—	—	(2)
– water supply, sewerage, waste management and remediation	847	85	14	—	946	(1)	(2)	(2)	—	(5)
– real estate and construction	9,094	3,723	514	—	13,331	(29)	(95)	(83)	—	(207)
– of which: CRE	7,489	3,230	392	—	11,111	(24)	(81)	(57)	—	(162)
– wholesale and retail trade, repair of motor vehicles and motorcycles	8,222	1,383	508	—	10,113	(17)	(43)	(98)	—	(158)
– transportation and storage	1,794	294	67	—	2,155	(3)	(6)	(10)	—	(19)
– accommodation and food	4,659	664	390	—	5,713	(15)	(30)	(35)	—	(80)
– publishing, audiovisual and broadcasting	2,688	409	138	—	3,235	(22)	(27)	(29)	—	(78)
– professional, scientific and technical activities	3,867	330	129	—	4,326	(13)	(17)	(51)	—	(81)
– administrative and support services	4,588	383	58	—	5,029	(11)	(12)	(13)	—	(36)
– education	599	96	31	—	726	(2)	(5)	(12)	—	(19)
– health and care	1,405	297	99	—	1,801	(4)	(12)	(15)	—	(31)
– arts, entertainment and recreation	834	56	36	—	926	(2)	(3)	(3)	—	(8)
– other services	916	81	115	—	1,112	(6)	(4)	(8)	—	(18)
– activities of households	1	—	—	—	1	—	—	—	—	—
– government	3	—	—	—	3	—	—	—	—	—
Non-bank financial institutions	7,826	323	37	—	8,186	(8)	(5)	(31)	—	(44)
Loans and advances to banks	7,263	—	2	—	7,265	—	—	(2)	—	(2)
At 31 Dec 2024	66,233	10,181	2,677	—	79,091	(158)	(320)	(481)	—	(959)

Total wholesale credit-related commitments and financial guarantee by stage distribution (continued)

	Nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate and commercial	25,246	3,370	342	—	28,958	(20)	(28)	(45)	—	(93)
Financial	5,193	249	13	—	5,455	(1)	—	(1)	—	(2)
At 31 Dec 2024	30,439	3,619	355	—	34,413	(21)	(28)	(46)	—	(95)

Personal lending

We provide a broad range of secured and unsecured personal lending products to meet customer needs. Personal lending includes advances to customers for asset purchases such as residential property where the loans are secured by the assets being acquired. We also offer unsecured lending products such as overdrafts, credit cards and personal loans.

The quality of the mortgage book remained high, with low levels of impairment allowances. The average Loan to value ('LTV') ratio on new lending was 68%, compared with an estimated 53% for the overall mortgage portfolio.

The following table shows the levels of personal lending products in the various portfolios.

Total personal lending for loans and advances to customers at amortised costs by stage distribution

	Gross carrying amount				**Allowance for ECL**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
By portfolio								
First lien residential mortgages	**111,401**	**23,449**	**614**	**135,464**	**(12)**	**(49)**	**(52)**	**(113)**
– of which: interest only (including offset)	**15,775**	**1,886**	**50**	**17,711**	**(2)**	**(15)**	**(5)**	**(22)**
Other personal lending	**12,892**	**1,586**	**332**	**14,810**	**(120)**	**(201)**	**(136)**	**(457)**
– other	**7,573**	**670**	**196**	**8,439**	**(59)**	**(69)**	**(86)**	**(214)**
– credit cards	**5,319**	**916**	**136**	**6,371**	**(61)**	**(132)**	**(50)**	**(243)**
At 30 Jun 2025	**124,293**	**25,035**	**946**	**150,274**	**(132)**	**(250)**	**(188)**	**(570)**
By portfolio								
First lien residential mortgages	108,649	23,681	564	132,894	(15)	(42)	(48)	(105)
– of which: interest only (including offset)	16,009	1,759	44	17,812	(2)	(7)	(3)	(12)
Other personal lending	12,789	1,290	293	14,372	(102)	(203)	(121)	(426)
– other	7,215	645	188	8,048	(60)	(66)	(75)	(201)
– credit cards	5,574	645	105	6,324	(42)	(137)	(46)	(225)
At 31 Dec 2024	121,438	24,971	857	147,266	(117)	(245)	(169)	(531)

Total personal credit-related commitments and financial guarantees by stage distribution

	Nominal amount				**Allowance for ECL**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 30 Jun 2025	**42,603**	**617**	**34**	**43,254**	**(7)**	**(2)**	**—**	**(9)**
At 31 Dec 2024	40,718	352	38	41,108	(5)	—	(2)	(7)

Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements. This includes the risk of adverse impact on earnings or capital due to structural and transactional foreign exchange exposures, as well as changes in market interest rates, together with pension risk and insurance risk.

Key developments in the first half of 2025

- The bank issued its first EUR denominated covered bond with a principal amount of €750m on 11 June 2025. The issuance adds to the outstanding portfolio of GBP covered bond issuances.
- HSBC UK continues to maintain and benefit from a healthy capital, liquidity and funding position, which has not been materially impacted by the periods of volatility in the macroeconomic environment and global markets during the first half of the year.
- See page 9 for a summary of key risks including geopolitical and macroeconomic risks that we are managing.

For quantitative disclosures on capital ratios, own funds and RWAs, see pages 24 to 25. For quantitative disclosures on liquidity and funding metrics, see page 25 to 26. For quantitative disclosures on interest rate risk in the banking book, see page 24.

Capital, liquidity and funding risk management processes

A summary of our risk management approach and processes are set out on pages 62-68 of our Annual Report and Accounts 2024.

HSBC Holdings provides Minimum requirements for own funds and eligible liabilities ('MREL') to HSBC UK Bank plc and its other subsidiaries, including equity and non-equity capital. These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt. MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure.

For a description of our resolution groups and approach to stress testing and resolution planning see pages 62-64 of the Annual Report and Accounts 2024.

For details on Regulatory developments, see our Pillar 3 Disclosures at 30 June 2025, which is expected to be published on 6 August 2025 at https:www.hsbc.com/investors.

Measurement of interest rate risk in the banking book processes

A summary of our risk management approach and processes is set out on page 63 of our Annual Report and Accounts 2024.

As at 30 June 2025, the 12 month Banking NII Sensitivity for the bank to an immediate 100bps parallel shock to interest rates was £218m for an upwards shock (31 December 2024: £207m), and £(313)m for a downwards shock (31 December 2024: £(298)m). This assessment is based on a static balance sheet with no management actions from Treasury, a 50% pass-on assumption on certain interest bearing deposits, and excludes pension liabilities (and assets).

Further details of HSBC UK's risk management of interest rate risk in the banking book can be found in HSBC UK's Pillar 3 Disclosures as at 30 June 2025.

Capital risk

Own funds

Own funds disclosure and capital adequacy metrics[1]

	At	
	30 Jun 2025	31 Dec 2024
	£m	£m
CET1 capital before regulatory adjustments	**23,869**	23,121
Total regulatory adjustments to common equity tier 1	**(8,614)**	(8,062)
CET1 capital	**15,255**	15,059
Additional tier 1 capital before regulatory adjustments	**2,708**	2,248
Additional tier 1 capital	**2,708**	2,248
Tier 1 capital (T1 = CET1 + AT1)	**17,963**	17,307
Tier 2 capital before regulatory adjustments	**3,669**	3,193
Tier 2 capital	**3,669**	3,193
Total regulatory capital	**21,632**	20,500
Risk-weighted assets ('RWAs')		
Credit risk	**99,330**	94,418
Counterparty credit risk	**288**	243
Market risk	**195**	173
Operational risk	**15,589**	15,589
Total risk-weighted assets	**115,402**	110,423
Capital ratios (%)	**%**	%
Common equity tier 1 ratio	**13.2**	13.6
Tier1 ratio	**15.6**	15.7
Total capital ratio	**18.7**	18.6

1 Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end. Accordingly, our current period numbers are presented on an end-point basis, while comparative figures are on transitional basis.

At 30 June 2025, our Common Equity Tier 1' CET1' capital ratio decreased to 13.2% from 13.6% at 31 December 2024.

The key drivers for the decrease in the CET1 capital ratio were:

– a decrease of 0.7% driven by £5bn increase in RWAs mainly from growth in lending.
– an increase of 0.3% from £0.3bn of capital generation mainly through profits net of dividends. This was partly offset by £0.1bn increase in capital deductions mainly from excess regulatory expected loss.

At 30 June 2025, our Pillar 2A requirement, in accordance with the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 3.8% of RWAs, of which 2.1% was met by CET1 capital. Throughout the first half of 2025, we complied with the PRA's regulatory capital adequacy requirements.

Risk-weighted assets

RWA movement by business by key driver

	Credit risk, counterparty credit risk and operational risk						
	Retail Banking and Wealth	Private Bank	Commercial Banking	Corporate and Institutional Banking	Corporate Centre	Market risk	Total RWAs
	£m	£m	£m	£m	£m	£m	£m
RWAs at 1 Jan 2025	**34,465**	**1,887**	**71,604**	**574**	**1,720**	**173**	**110,423**
Acquisitions and disposals	—	—	—	—	—	—	—
Asset size	816	(42)	4,284	84	(212)	32	4,962
Asset quality	386	(64)	250	—	53	—	625
Model updates	—	—	—	—	2	—	2
– new/updated models	—	—	—	—	2	—	2
Methodology and policy	53	89	(361)	—	32	—	(187)
– internal updates	53	89	(361)	—	32	—	(187)
Foreign exchange movement	—	(4)	(311)	(13)	(85)	(10)	(423)
Total RWA movement	**1,255**	**(21)**	**3,862**	**71**	**(210)**	**22**	**4,979**
RWAs at 30 Jun 2025	**35,720**	**1,866**	**75,466**	**645**	**1,510**	**195**	**115,402**

Excluding a decrease in RWAs of £0.4bn due to foreign currency translation differences, RWAs increased by £5.4bn, mainly from lending growth of £5bn and changes in asset quality of £0.6bn. This was partly offset by methodology and policy changes by £0.2bn.

Asset size

Increase in RWAs by £5bn mainly in CMB and RBW driven by growth in corporate lending and retail mortgages.

Asset quality

Increase in RWAs of £0.6bn mainly due to unfavourable credit risk migrations.

Methodology and policy

Decrease in RWAs of £0.2bn mainly in CMB due to data quality improvements and risk parameter refinements.

Leverage ratio

	At	
	30 Jun 2025	31 Dec 2024
Total leverage ratio exposure measure (£m)	**314,452**	297,157
Leverage ratio (%)	**5.7**	5.8

At 30 June 2025, our leverage ratio decreased to 5.7% from 5.8% at 31 December 2024. The key drivers for the decrease in the leverage ratio were:

- a 0.3% decrease due to increase in exposure of £17bn mainly due to growth in corporate and retail lending combined with increase in financial investments due to treasury management activities and reverse repurchase agreements due to diversification of the liquid asset buffer and cash deployment.
- a 0.2% increase from £0.5bn Additional Tier1 capital issuance and £0.2bn capital generation mainly through profits net of dividend.

Liquidity and funding risk

Liquidity coverage ratio

At 30 June 2025, we were above regulatory minimum levels. The following table displays the individual LCR levels for the HSBC UK Liquidity Group on PRA rules basis.

HSBC UK Liquidity Group LCR

	As at[2]	
	30 Jun 2025	31 Dec 2024
	%	%
HSBC UK Liquidity Group[1]	**186**	190

1 HSBC UK Liquidity Group comprises: HSBC UK Bank plc, M&S Financial Services plc, HSBC Private Bank (UK) Limited and HSBC Innovation Bank Limited. HSBC Trust Company (UK) Limited was included in the HSBC UK Liquidity Group until 28 February 2025 when the entity was sold. The HSBC UK Liquidity Group is managed as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA.
2 The LCR ratios presented in the above table are based on average of the preceding 12 months.

Net stable funding ratio ('NSFR')

At 30 June 2025, we maintained sufficient stable funding relative to the required stable funding assessed using the NSFR.

HSBC UK Liquidity Group NSFR

	As at[1]	
	30 Jun 2025	31 Dec 2024
	%	%
HSBC UK Liquidity Group	**151**	154

1 The NSFR ratios presented in the above table are based on average of the preceding four quarters.

Liquid assets

The table below shows the weighted liquidity value of assets categorised as liquid, which is used for the purposes of calculating the LCR metric. This reflects the stock of unencumbered liquid assets at the reporting date, using the regulatory definition of liquid assets.

HSBC UK Liquidity Group liquid assets

	Estimated liquidity value	
	As at[1]	
	30 Jun 2025	31 Dec 2024
	£m	£m
HSBC UK Liquidity Group		
Cash	**47,350**	54,033
Level 1	**43,578**	34,767
Level 2	**2,985**	2,548
Liquidity pool	**93,913**	91,348

1 The liquid assets presented in the above table are based on average of the preceding 12 months.

Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. The following 'Funding Sources' and 'Funding Uses' disclosures provide a consolidated view of how our balance sheet is funded, and should be read in light of the Liquidity and Funding Risk Management Framework ('LFRF'), which requires HSBC UK Liquidity Group to manage liquidity and funding risk on a stand-alone basis.

The disclosures analyse our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds. In the first six months of 2025, the level of customer accounts exceeded the level of loans and advances to customers. The positive funding gap was predominantly deployed in liquid assets, cash and balances with central banks and financial investments, as required by the LFRF.

Funding Sources

	At	
	30 Jun 2025	31 Dec 2024
	£m	£m
Sources		
Customer accounts	**276,073**	280,366
Deposits by banks	**10,611**	11,144
Repurchase agreements – non-trading	**1,609**	420
Debt securities in issue	**2,703**	2,044
Cash collateral, margin, settlement accounts and items in course of transmission to other banks	**347**	449
Subordinated liabilities	**17,697**	15,686
Total equity	**27,398**	25,971
Other balance sheet liabilities	**5,174**	4,797
	341,612	340,877

Funding Uses

	At	
	30 Jun 2025	31 Dec 2024
	£m	£m
Uses		
Loans and advances to customers	**223,134**	217,604
Loans and advances to banks	**5,798**	7,263
Reverse repurchase agreements – non-trading	**15,556**	11,776
Cash collateral, margin, settlement accounts and items in course of collection from other banks	**734**	1,196
Financial investments	**43,436**	37,801
Cash and balances with central banks	**40,070**	52,276
Other balance sheet assets	**12,884**	12,961
	341,612	340,877

Market risk

Overview

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices, will reduce the group's income or the value of its portfolios.

Market risk is measured using the standardised approach for position risk under CRR. There were no material changes to the policies and practices for the management of market risk in the first half of 2025.

Directors' responsibility statement

The Directors are required to prepare the condensed consolidated interim financial statements (the 'interim financial statements') on a going concern basis unless it is not appropriate. They are satisfied that the group and bank have the resources to continue in business for the foreseeable future and that the interim financial statements continue to be prepared on a going concern basis.

The Directors, the names of whom are set out below, confirm that to the best of their knowledge:

- the interim financial statements have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting', IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board('IASB') and the Disclosure Guidance and Transparency Rules ('DTR') sourcebook of the UK's Financial Conduct Authority('FCA');
- this Interim Report 2025 gives a true, fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the group; and
- this Interim Report 2025 includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2025 and their impact on the interim financial statements; and
  - a description of the principal risks and uncertainties for the remaining six months of the financial year.

Dame Clara Furse+ (Chairman), John David Stuart (Chief Executive Officer), Marie Claire Baird (Chief Financial Officer), Mridul Hegde+, Oliver Corbett+, Abimbola Afolami+, Simon Calver+, Carolyn Dittmeier+, Janet Henry, Zoe Knight, Brendan Nelson+, Jenny Goldie-Scot+.

On behalf of the Board

Dame Clara Furse

Chairman

29 July 2025

HSBC UK Bank plc

Registered number 9928412

+ Independent non-executive Director

Independent review report to HSBC UK Bank plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed HSBC UK Bank plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Report of HSBC UK Bank plc for the 6 month period ended 30 June 2025 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', International Accounting Standard 34 'Interim Financial Reporting' as issued by the IASB and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2025;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements[1].

The interim financial statements included in the Interim Report of HSBC UK Bank plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', International Accounting Standard 34 'Interim Financial Reporting' as issued by the IASB and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). 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, 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.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
29 July 2025

1 Certain notes to the interim financial statements have been presented elsewhere in the Interim report, rather than in the notes to the interim financial statements. These are cross-referenced from the financial statements and are identified as '(Reviewed)'. The relevant disclosures are included in the Financial summary on pages 5 to 7 and Risk review sections on pages 8 to 26.

Interim condensed consolidated financial statements

Contents

Consolidated income statement

		Half-year to	
		30 Jun 2025	30 Jun 2024
	Notes	**£m**	£m
Net interest income		**4,203**	4,003
– interest income		**7,346**	7,337
– interest expense		**(3,143)**	(3,334)
Net fee income	2	**660**	641
– fee income		**812**	788
– fee expense		**(152)**	(147)
Net income from financial instruments held for trading or managed on a fair value basis		**208**	219
Other operating income		**49**	63
Net operating income before change in expected credit losses and other credit impairment charges		**5,120**	4,926
Change in expected credit losses and other credit impairment charges		**(263)**	(49)
Net operating income		**4,857**	4,877
Employee compensation and benefits		**(595)**	(554)
General and administrative expenses		**(1,245)**	(1,148)
Depreciation and impairment of property, plant and equipment and right-of-use assets		**(51)**	(50)
Amortisation and impairment of intangible assets		**(180)**	(173)
Total operating expenses		**(2,071)**	(1,925)
Operating profit		**2,786**	2,952
Profit before tax		**2,786**	2,952
Tax expense	4	**(742)**	(779)
Profit for the period		**2,044**	2,173
Attributable to:			
– ordinary shareholder		**2,041**	2,170
– non-controlling interests		**3**	3
Profit for the period		**2,044**	2,173

The accompanying notes on pages 35 to 40 form an integral part of these condensed financial statements.

Consolidated statement of comprehensive income

	Half-year to	
	30 Jun 2025	30 Jun 2024
	£m	£m
Profit for the period	**2,044**	2,173
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	**35**	18
– fair value gains	**65**	44
– fair value gains transferred to the income statement on disposal	**(14)**	(19)
– expected credit losses recognised in the income statement	**—**	1
– income taxes	**(16)**	(8)
Cash flow hedges	**580**	(345)
– fair value gain / (losses)	**533**	(987)
– fair value losses reclassified to the income statement	**273**	508
– income taxes	**(226)**	134
Exchange differences	**5**	—
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	**(190)**	(13)
– before income taxes	**(264)**	(18)
– income taxes	**74**	5
Other comprehensive income/(expense) for the period, net of tax	**430**	(340)
Total comprehensive income for the period	**2,474**	1,833
Attributable to:		
– ordinary shareholder	**2,471**	1,830
– non-controlling interests	**3**	3
Total comprehensive income for the period	**2,474**	1,833

Consolidated balance sheet

		At	
		30 Jun 2025	31 Dec 2024
	Notes	**£m**	£m
Assets			
Cash and balances at central banks		**40,070**	52,276
Financial assets mandatorily measured at fair value through profit or loss	6	**168**	174
Derivatives		**260**	298
Loans and advances to banks		**5,798**	7,263
Loans and advances to customers		**223,134**	217,604
Reverse repurchase agreements – non-trading		**15,556**	11,776
Financial investments		**43,436**	37,801
Prepayments, accrued income and other assets		**8,795**	9,303
Interests in joint ventures		**9**	9
Goodwill and intangible assets	8	**4,386**	4,373
Total assets		**341,612**	340,877
Liabilities and equity			
Liabilities			
Deposits by banks		**10,611**	11,144
Customer accounts		**276,073**	280,366
Repurchase agreements – non-trading		**1,609**	420
Derivatives		**159**	107
Debt securities in issue		**2,703**	2,044
Accruals, deferred income and other liabilities		**3,596**	3,476
Current tax liabilities		**334**	449
Provisions	9	**274**	265
Deferred tax liabilities		**1,158**	949
Subordinated liabilities		**17,697**	15,686
Total liabilities		**314,214**	314,906
Equity			
Called up share capital		**—**	—
Share premium account		**—**	—
Other equity instruments		**2,691**	2,196
Other reserves		**2,200**	1,579
Retained earnings		**22,487**	22,136
Total shareholder's equity		**27,378**	25,911
Non-controlling interests		**20**	60
Total equity		**27,398**	25,971
Total liabilities and equity		**341,612**	340,877

Consolidated statement of changes in equity

	Called up share capital and share premium[1]	Other equity instruments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Group re-organisation reserve[1,2]	Total share-holder's equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	**—**	**2,196**	**22,136**	**(206)**	**(658)**	**2,443**	**25,911**	**60**	**25,971**
Profit for the period	**—**	**—**	**2,041**	**—**	**—**	**—**	**2,041**	**3**	**2,044**
Other comprehensive income (net of tax)	**—**	**—**	**(190)**	**40**	**580**	**—**	**430**	**—**	**430**
– debt instruments at fair value through other comprehensive income	**—**	**—**	**—**	**35**	**—**	**—**	**35**	**—**	**35**
– cash flow hedges	**—**	**—**	**—**	**—**	**580**	**—**	**580**	**—**	**580**
– remeasurement of defined benefit asset/ liability	**—**	**—**	**(190)**	**—**	**—**	**—**	**(190)**	**—**	**(190)**
– exchange differences	**—**	**—**	**—**	**5**	**—**	**—**	**5**	**—**	**5**
Total comprehensive income for the period	**—**	**—**	**1,851**	**40**	**580**	**—**	**2,471**	**3**	**2,474**
Issue of other equity instruments[3]	**—**	**495**	**—**	**—**	**—**	**—**	**495**	**—**	**495**
Dividends to shareholder	**—**	**—**	**(1,502)**	**—**	**—**	**—**	**(1,502)**	**(3)**	**(1,505)**
Other movements[4]	**—**	**—**	**2**	**—**	**1**	**—**	**3**	**(40)**	**(37)**
At 30 Jun 2025	**—**	**2,691**	**22,487**	**(166)**	**(77)**	**2,443**	**27,378**	**20**	**27,398**
At 1 Jan 2024	9,015	2,196	7,573	(172)	(293)	7,691	26,010	60	26,070
Profit for the period	—	—	2,170	—	—	—	2,170	3	2,173
Other comprehensive income (net of tax)	—	—	(13)	18	(345)	—	(340)	—	(340)
– debt instruments at fair value through other comprehensive income	—	—	—	18	—	—	18	—	18
– cash flow hedges	—	—	—	—	(345)	—	(345)	—	(345)
– remeasurement of defined benefit asset/ liability	—	—	(13)	—	—	—	(13)	—	(13)
– exchange differences	—	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	2,157	18	(345)	—	1,830	3	1,833
Dividends to shareholder	—	—	(2,017)	—	—	—	(2,017)	(3)	(2,020)
Other movements[4]	—	—	4	—	—	—	4	—	4
At 30 Jun 2024	9,015	2,196	7,717	(154)	(638)	7,691	25,827	60	25,887

1 During Q4 2024, HSBC UK Bank plc converted £5.2bn of its group reorganisation reserve and £9.0bn of its share premium account into retained earnings. For further details, please refer to Note 23 of Annual Reports and Accounts 2024.
2 The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring-fenced businesses that were notionally transferred from HSBC Bank plc. As at 30 Jun 2025, the balance mainly comprises of the reserve created on consolidation for the goodwill transfer.
3 Other equity instruments were issued net of costs.
4 Relates primarily to £2m of pension assets transferred from HSBC Global Services (UK) Limited and HSBC Bank plc (1H24: £4m).

Consolidated statement of cash flows

	Half-year to	
	30 Jun 2025	30 Jun 2024
	£m	£m
Profit before tax	**2,786**	2,952
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	**231**	223
Net gain from investing activities	**(14)**	(24)
Change in expected credit losses gross of recoveries and other credit impairment charges	**285**	83
Provisions including pensions	**(78)**	(127)
Share-based payment expense	**13**	11
Other non-cash items included in profit before tax	**(152)**	(112)
Elimination of exchange differences[1]	**365**	97
Changes in operating assets	**(5,628)**	(36)
Changes in operating liabilities	**(2,761)**	(3,115)
Contributions paid to defined benefit plans	**—**	(1)
Tax (paid)	**(815)**	(614)
Net cash from operating activities	**(5,768)**	(663)
Purchase of financial investments	**(16,166)**	(17,662)
Proceeds from the sale and maturity of financial investments	**9,648**	8,666
Purchase of property, plant and equipment	**(28)**	(12)
Purchase of intangible assets	**(190)**	(142)
Net cash flow on acquisition of subsidiaries, businesses and joint venture	**1**	
Net cash from investing activities	**(6,735)**	(9,150)
Issue of ordinary share capital and other equity instruments	**495**	
Subordinated loan capital issued	**2,171**	2,523
Subordinated loan capital repaid		(1,683)
Dividends paid to shareholder	**(1,502)**	
Dividends paid to shareholder and non-controlling interests	**(3)**	(2,020)
Net cash from financing activities	**1,161**	(1,180)
Net decrease in cash and cash equivalents	**(11,342)**	(10,993)
Cash and cash equivalents at the beginning of the period	**63,366**	73,381
Exchange differences in respect of cash and cash equivalents	**35**	(46)
Cash and cash equivalents at the end of the period	**52,059**	62,342

Interest received was £7,197m (1H24: £7,169m) and interest paid was £3,119m (1H24: £3,194m).

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

Notes on the interim condensed financial statements

Contents

1 Basis of preparation and material accounting policies

(a) Compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements of HSBC UK have been prepared on the basis of the policies set out in the 2024 financial statements. They have also been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board ('IASB') and as adopted by the UK. Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in HSBC UK's financial position and performance since the end of 2024.

These interim condensed consolidated financial statements should be read in conjunction with the Annual Report and Accounts 2024, which was prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Those financial statements were also prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee.

At 30 June 2025, there were no IFRS Accounting Standards effective for the half-year to 30 June 2025 affecting these financial statements that were not approved for adoption in the UK by the UK Endorsement Board.There was no difference between IFRS Accounting Standards as adopted by the UK and IFRS Accounting Standards issued by the IASB in terms of their application to HSBC UK.

Standards applied during the half-year to 30 June 2025

There were no new standards or amendments to standards that had a material effect on these interim condensed consolidated financial statements.

(b) Use of estimates and judgements

Management believes that our critical estimates and judgements are those that relate to impairment of amortised cost and FVOCI debt financial assets, provisions for liabilities and defined benefit pension obligations. There were no material changes in the current period to any of the critical estimates and judgements disclosed in 2024, which are stated on pages 94 to 101 of the Annual Report and Accounts 2024.

(c) Composition of the group

There were no material changes in the composition of the group in the half-year to 30 June 2025.

(d) Future accounting developments

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on or after 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG related contingencies, and financial assets with certain non-recourse features. The Group is currently undertaking an assessment of the potential impact.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it might have a significant impact on presenting information in the financial statements, in particular the income statement. HSBC are currently assessing impacts and data readiness.

(e) Going concern

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

(f) Accounting policies

The accounting policies applied by the group for these interim condensed consolidated financial statements are consistent with those described on pages 95 to 101 of the Annual Report and Accounts 2024, as are the methods of computation.

(g) Presentation of information

Certain disclosures have been presented elsewhere in the Interim Report 2025, rather than in the notes to the financial statements. These are marked as '(Reviewed)' as follows:

- Profit/loss before tax and balance sheet data for the period included in the 'Segmental reporting' section on page 6.
- Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees included in the 'Risk' section on page 18.
- Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation included in the 'Risk' section on pages 20 to 21.

2 Net fee income

	Half-year to	
	30 Jun 2025	30 Jun 2024
Net fee income by product	**£m**	£m
Account services	**136**	140
Funds under management	**72**	63
Cards	**297**	287
Credit facilities	**87**	79
Imports/exports	**16**	16
Insurance agency commission	**6**	5
Receivables finance	**39**	40
Other	**159**	158
Fee income	**812**	788
Less: fee expense	**(152)**	(147)
Net fee income	**660**	641
Net fee income by global business		
Retail Banking and Wealth	**239**	245
Commercial Banking	**470**	464
Corporate and Institutional Banking	**(99)**	(109)
Private Bank	**50**	42
Corporate Centre	**—**	(1)

3 Post-employment benefit plans

We operate a pension plan for our employees called the HSBC Bank (UK) Pension Scheme ('the plan'). Details of the plan are explained on pages 104 to 106 of the Annual Report and Accounts 2024, and details of the policies and practices associated with the plan are explained on page 65 of the Annual Report and Accounts 2024.

Net assets/(liabilities) under defined benefit pension plans

	Fair value of plan assets	Present value of defined benefit obligations	Net defined benefit assets/(liabilities)
	£m	£m	£m
At 30 Jun 2025	**18,559**	**(13,572)**	**4,987**
At 31 Dec 2024	18,856	(13,730)	5,126

Post-employment defined benefit plan actuarial financial assumptions

Key actuarial assumptions for the plan

	Discount rate	Inflation rate (RPI)	Inflation rate (CPI)	Rate of increase for pensions	Rate of pay increase
	%	%	%	%	%
At 30 Jun 2025	**5.55**	**3.12**	**2.50**	**3.05**	**3.25**
At 31 Dec 2024	5.54	3.33	2.88	3.22	3.63

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

	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
At 30 Jun 2025	**SAPS S3[1]**	**26.4**	**28.0**	**28.4**	**30.0**
At 31 Dec 2024	SAPS S3[2]	26.1	27.7	28.3	29.9

1 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2024 core projection model with an initial addition to improvement of 0.25% per annum and a long-term rate of improvement of 1.25% per annum, with the other parameters set in line with the model default values.
2 SAPS S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2023 core projection model with an initial addition to improvement of 0.25% per annum and a long-term rate of improvement of 1.25%per annum, with a 0%weighting applied to 2020 and 2021 mortality experience and a 15% weighting applied to 2022 and 2023, reflecting updated long-term view on mortality improvements post-pandemic.

4 Tax

Tax charge

The ETR is 26.6%, materially aligned to the STR of 28%, and largely reflects tax relief on AT1 coupon payments. The ETR for 1H24 was 26.4%, materially aligned to the STR of 28%, and reflected tax relief on AT1 coupon payments and a tax credit from release of provisions.

5 Dividends

On 17 July 2025, the Directors resolved to pay an interim dividend of £819m to the ordinary shareholder in respect of the financial year ending 31 December 2025. No liability is recognised in the financial statements in respect of this dividend.

Dividends to the shareholder

	Half-year to			
	30 Jun 2025		30 Jun 2024	
	£ per share	**£m**	£ per share	£m
Dividends paid on ordinary shares				
Interim dividend in respect of the previous year	**11,900**	**595**	28,239	1,412
Interim dividend in respect of the current year	**15,999**	**800**	9,800	490
Total	**27,899**	**1,395**	38,039	1,902

Total coupons on capital securities classified as equity

		Half-year to	
		30 Jun 2025	30 Jun 2024
	First call date	**£m**	£m
Undated Subordinated Additional Tier 1 instruments			
– £1,096m	Dec 2019	**53**	57
– £1,100m	Dec 2024	**54**	58
– £500m	Jun 2030	**—**	—
Total		**107**	115

6 Fair values of financial instruments carried at fair value

The accounting policies, control framework and the hierarchy used to determine fair values are consistent with those applied for the Annual Report and Accounts 2024.

Financial instruments carried at fair value and bases of valuation

	At 30 Jun 2025				At 31 Dec 2024			
	Valuation techniques				Valuation techniques			
	Quoted market price	Using observable inputs	With significant unobservable input		Quoted market price	Using observable inputs	With significant unobservable input	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Recurring fair value measurements								
Assets								
Financial assets mandatorily measured at fair value through profit or loss	**168**	**—**	**—**	**168**	135	—	39	174
Derivatives	**—**	**256**	**4**	**260**	1	294	3	298
Financial investments	**23,392**	**569**	**38**	**23,999**	18,800	2,662	17	21,479
Liabilities								
Derivatives	**11**	**148**	**—**	**159**	—	107	—	107

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency. There were no transfers between Level 1 and Level 2 during 2025 and 2024.

7 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of loans and advances to banks and customers, deposits by banks, customer accounts, debt securities in issue, subordinated liabilities, non-trading repurchase and reverse repurchase agreements and financial investments are explained on pages 111 to 112 of the Annual Report and Accounts 2024.

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

	At 30 Jun 2025		At 31 Dec 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Assets				
Loans and advances to banks	**5,798**	**5,798**	7,263	7,263
Loans and advances to customers	**223,134**	**222,855**	217,604	216,767
Reverse repurchase agreements – non-trading	**15,556**	**15,556**	11,776	11,776
Financial investments – at amortised cost	**19,437**	**19,086**	16,322	15,763
Liabilities				
Deposits by banks	**10,611**	**10,611**	11,144	11,144
Customer accounts	**276,073**	**276,073**	280,366	280,366
Repurchase agreements – non-trading	**1,609**	**1,609**	420	420
Debt securities in issue	**2,703**	**2,712**	2,044	2,044
Subordinated liabilities	**17,697**	**17,947**	15,686	15,898

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

8 Goodwill

Impairment testing

As described on pages 117 to 118 of the Annual Report and Accounts 2024, we test goodwill for impairment at 1 October each year and whenever there is an indication that goodwill may be impaired. At 30 June 2025, we reviewed the inputs used in our most recent impairment test in the light of current economic and market conditions and there was no indication of goodwill impairment.

9 Provisions

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	£m	£m	£m	£m	£m
Provisions (excluding contractual commitments)					
At 1 Jan 2025	**20**	**2**	**53**	**69**	**144**
Additions	**47**	**16**	**3**	**12**	**78**
Amounts utilised	**(6)**	**(2)**	**(9)**	**(7)**	**(24)**
Unused amounts reversed	**(6)**	**—**	**(16)**	**(9)**	**(31)**
Exchange and other movements	**(4)**	**1**	**—**	**1**	**(2)**
At 30 Jun 2025	**51**	**17**	**31**	**66**	**165**
Contractual commitments[1]					
At 1 Jan 2025					121
Net change in expected credit loss provision					**(12)**
At 30 Jun 2025					**109**
Total provisions					
At 1 Jan 2025					265
At 30 Jun 2025					**274**

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

Customer remediation

Customer remediation refers to HSBC UK's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC UK in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

Restructuring costs

The restructuring costs provision is for costs associated with the group's transformation programmes.

Legal proceedings and regulatory matters

Further details of 'Legal proceedings and regulatory matters' are set out in Note 11. 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. Regulatory matters refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulatory or law enforcement agencies in connection with alleged wrongdoing.

10 Contingent liabilities, contractual commitments, guarantees and contingent assets

	At	
	30 Jun 2025	31 Dec 2024
	£m	£m
Guarantees and other contingent liabilities:		
– financial guarantees:[1]	**1,099**	1,046
– performance and other guarantees	**2,606**	2,416
At the end of the period	**3,705**	3,462
Commitments:[2]		
– documentary credits and short-term trade-related transactions	**23**	142
– forward asset purchases and forward deposits placed	**4,010**	1,641
– standby facilities, credit lines and other commitments to lend	**78,895**	75,776
At the end of the period	**82,928**	77,559

1 Financial guarantees contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts.
2 Includes £80 bn of commitments at 30 June 2025 (31 December 2024: £74 bn), to which the impairment requirements in IFRS 9 are applied where HSBC UK has become party to an irrevocable commitment.

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

Contingent liabilities arising from legal proceedings, regulatory and other matters against group companies are excluded from this note but are disclosed in Note 11.

Financial Services Compensation Scheme ('FSCS')

The FSCS provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on HSBC UK to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

11 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1 of the Annual Report and Accounts 2024. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 30 June 2025. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Payment Protection Insurance ('PPI')

Although the FCA deadline for bringing PPI complaints has passed, court cases are being brought alleging historic PPI mis-selling.

First Citizens litigation

In May 2023, First-Citizens Bank & Trust Company ('First Citizens') brought a lawsuit in the US District Court for the Northern District of California against HSBC UK and HINV, certain other HSBC companies and seven US-based HSBC employees who had previously worked for Silicon Valley Bank ('SVB'). The lawsuit seeks $1bn in damages and alleges, among other things, that the HSBC companies conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens. In July 2024, the court dismissed several of First Citizens' claims and also dismissed HSBC UK and other defendants for lack of jurisdiction, but allowed limited discovery into whether some of these defendants, including HSBC UK, may be subject to jurisdiction. The remaining claims are proceeding against certain defendants, including HINV.

Based on the facts currently known, it is not practicable at this time to predict the resolution of this matter, including the timing or any possible impact on HSBC UK, which could be significant.

Other regulatory reviews and litigation

HSBC UK and/or certain of its affiliates are also subject to enquiries, requests for information, reviews by various regulators, competition and law enforcement authorities, as well as litigation, in connection with various matters arising out of their businesses and operations. At the present time, HSBC UK does not expect the ultimate resolution of any of these matters to be material to the group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

12 Transactions with related parties

There were no changes to the related party transactions described in the Annual Report and Accounts 2024 that have had a material effect on the financial position or performance of the group in the half-year to 30 June 2025. All other related party transactions that took place in the half-year to 30 June 2025 were similar in nature to those disclosed in the Annual Report and Accounts 2024.

13 Events after the balance sheet date

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

On 17 July 2025, the Directors resolved to pay an interim dividend to the ordinary shareholder of £819m in respect of the financial year ending 31 December 2025. No liability is recognised in the financial statements in respect of this dividend as described in Note 5.

14 Interim Report 2025 and statutory accounts

The information in this Interim Report 2025 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Interim Report 2025 was approved by the Board of Directors on 29 July 2025. The statutory accounts of HSBC UK Bank plc for the year ended 31 December 2024 have been delivered to the Registrar of Companies in England and Wales in accordance with section 447 of the Companies Act 2006. The group's auditor, PricewaterhouseCoopers LLP ('PwC'), has reported on those accounts. Its report was unqualified, did not include a reference to any matters to which PwC drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Reconciliation of alternative performance measures

Return on equity and return on tangible equity

RoTE is measured as reported profit attributable to the ordinary shareholder, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests. We provide RoTE in addition to Return on average ordinary shareholder's equity ('RoE') as a way of assessing our performance, which is closely aligned to our capital position. The measures are calculated in US dollars in line with the standard HSBC Group-wide calculation methodology.

The following table details the adjustments made to the reported results and equity:

Return on average equity and return on average tangible equity

	Half-year to	
	30 Jun 2025	30 Jun 2024
	$m	$m
Profit		
Profit attributable to the ordinary shareholder	**2,512**	2,599
Profit attributable to the ordinary shareholder, excluding goodwill and other intangible assets impairment	**2,512**	2,599
Equity		
Average total shareholder's equity	**34,702**	32,605
Effect of average preference shares, additional Tier 1 and other equity instruments	**(3,091)**	(2,783)
Average ordinary shareholder's equity	**31,611**	29,822
Effect of goodwill and other intangibles (net of deferred tax)	**(5,692)**	(5,489)
Average tangible ordinary shareholder's equity	**25,919**	24,333
Ratio	**%**	%
Return on equity (annualised)	**16.0**	17.5
Return on average tangible equity (annualised)[1]	**19.5**	21.5

1 Under IAS 19, HSBC UK holds a pension fund surplus, and records pension income in the Income Statement. The IAS 19 pension fund surplus increases Tangible Equity but not CET1. In the event that the IAS 19 Pension fund surplus was zero, RoTE would be 21.8% (1H24: 24.4%).

Abbreviations

Currencies

£	British pound sterling
€	Euro
$	United States dollar

Abbreviations

1H25	First half of 2025
1H24	First half of 2024
4Q24	Fourth Quarter of 2024
1Q25	First Quarter of 2025
2Q25	Second quarter of 2025
4Q25	Fourth Quarter of 2025
1Q26	First Quarter of 2026
2Q26	Second Quarter of 2026
3Q26	Third Quarter of 2026
4Q26	Fourth quarter of 2026
2Q27	Second Quarter of 2027
3Q27	Third Quarter of 2027
1Q28	First Quarter of 2028
A	
AI	Artificial Intelligence
AIEA	Average interest-earning assets
AT1	Additional tier 1
B	
BoE	Bank of England
bps	Basis points. One basis point is equal to one hundredth of a percentage point
C	
CBDC	Central Bank Digital Currency
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CIB	Corporate and Institutional Banking
CMI	Continuous Mortality Investigation
CMB	Commercial Banking
CODM	Chief Operating Decision Maker
CPI	Consumer Price Index
CRE	Commercial Real Estate
CRR	Customer risk rating
CRR II	Revised Capital Requirements Regulation and Directive, as implemented
D	
Dec	December
DPD	Days Past Due
DTR	Disclosure Guidance and Transparency Rules
E	
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied
ESG	Environmental, social and governance
EU	European Union
EVE	Economic value of equity
ETR	Effective Tax Rate
F	
FCA	Financial Conduct Authority (UK)
FSCS	Financial Services Compensation Scheme
FTE	Full-time equivalent staff
FVOCI	Fair value through other comprehensive income
FY	Full Year
FY24	Full Year 2024
G	
GBM	Global Banking and Markets
GDP	Gross domestic product
group	HSBC UK Bank plc together with its subsidiary undertakings
Group	HSBC Holdings together with its subsidiary undertakings
H	
HINV	HSBC Innovation Bank Limited
HMRC	HM Revenue & Customs
HMT	His Majesty's Treasury
HR	Human Resources
HSBC Group	HSBC Holdings together with its subsidiary undertakings
HSBC Holdings	HSBC Holdings plc
HSBC UK	HSBC UK Bank plc together with its subsidiary undertakings
I	
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal capital adequacy assessment process
IFRS® Accounting Standards	International Financial Reporting Standards as issued by the IASB
ILAAP	Internal liquidity adequacy assessment process
ISRE	International Standard on Review Engagements
IT	Information technology
J	
Jan	January
Jun	June
K	
KPI	Key Performance Indicator
L	
LCR	Liquidity coverage ratio
LFRF	Liquidity and Funding Risk Management Framework
LTV	Loan to value
M	
MREL	Minimum requirements for own funds and eligible liabilities
M&S	Marks and Spencer
N	
NII	Net interest income
NIM	Net interest margin
NPS	Net Promoter Score
NSFR	Net stable funding ratio
O	
OCI	Other comprehensive income

P	
PB	Private Bank
PBT	Profit Before Tax
PD	Probability of default
POCI	Purchased or originated credit impaired
PPI	Payment protection insurance
PRA	Prudential Regulation Authority
PSR	Payment Systems Regulator
PwC	PricewaterhouseCoopers LLP and its network of firms
R	
Revenue	Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit provisions, also referred to as revenue
RBW	Retail Banking and Wealth
RoE	Return on average ordinary shareholder equity
RoTE	Return on average tangible equity
RPI	Retail Price Index
RWA	Risk-weighted asset
S	
SAPS	Self-administered pension scheme
SME	Small and medium-sized enterprise
SVB UK	Silicon Valley Bank UK Limited
STR	Statutory Tax Rate
U	
UCB	UK- Corporate Banking
UK	United Kingdom
UPW	UK- Personal Banking and Wealth
US	United States of America
W	
WPB	Wealth and Personal Banking
Y	
YoY	Year-on-year

HSBC UK Bank plc

1 Centenary Square
Birmingham B1 1HQ
United Kingdom
Telephone: 03456 040 626
www.hsbc.co.uk