

HSBC UK Holdings Limited

HSBC UK Holdings Limited

Registration No: 10587192

**Annual Report and Financial Statements for the year
ended 31 December 2020**



TUESDAY



AADZ6JKZ

A20

28/09/2021

#21

COMPANIES HOUSE

Annual Report and Financial Statements for the year ended 31 December 2020

Contents

	Page
Strategic Report	1
Report of the Directors	3
Independent auditors' report to the members of HSBC UK Holdings Limited	5
Income statement	7
Statement of comprehensive income	7
Balance sheet	8
Statement of cash flows	9
Statement of changes in equity	10
Notes on the financial statements	11

Strategic Report

Principal activities

HSBC UK Holdings Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

During the year ended 31 December 2020, the Company continued to be an investment holding company.

Review of the Company's business

The business is funded principally by its parent, HSBC Holdings plc.

The reserves available for distribution as at 31 December 2020 were £4,200m (2019: £3,200m).

Dividends of £488m were declared and paid during the year (2019: £2,262m).

The financial statements have been prepared on a basis other than going concern as management initiated the liquidation of the Company in 2021, as part of a legal entity rationalisation programme. This action is unrelated to the performance of the Company and targeted to complete by 31 December 2021 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2020.

Performance

The performance and position of the Company for the year ended 31 December 2020 and the state of the Company's financial affairs at that date are set out on pages 7 to 27.

The results of the Company show a profit before tax of £488m (2019: £2,160m). Decrease in 2020 profits are primarily due to decline in dividends received during the year of £490m (2019: £2,159m).

The Company received the following dividends from other group undertakings:

	2020 £'000	2019 £'000
Dividend from ordinary shares		
HSBC UK Bank plc	100,000	320,000
HSBC Bank plc	—	1,510,500
	100,000	1,830,500
Dividend from AT1 instruments		
HSBC UK Bank plc	122,224	130,701
HSBC Bank plc	212,389	145,742
Marks and Spencer Financial Services plc	4,575	1,144
	339,188	277,587
Dividend from preference shares		
HSBC Bank plc	50,866	50,723

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term, (ii) the interests of the company's employees, (iii) the need to foster the company's business relationships with suppliers, customers and others, (iv) the impact of the company's operations on the community and the environment and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

As a Group, HSBC considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2020, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the HSBC UK Holdings Limited ('HUHO')'s strategy in line with its long-term values, and operate the HUHO business in a sustainable way.

As a non-trading company, the principal stakeholder of the Company is the Company's parent entity. The majority of decisions made by the Board during the year related to the payment of dividends, the payment interest on Additional Tier 1 ('AT1') capital instruments; entering loan arrangements with both the Company's parent entity and its subsidiaries; approving capital injections; taking actions to ensure internal MREL requirements were met; and having regard for the resolution implications impacting the Company's parent entity. The Board took into consideration the profits available for distribution, the dividend policy, the capital position, Tier 1 capital restraints and leverage ratios, the long-term interests of the Company and the interests of the Group as a whole, as part of its decision making.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board keeps the HUHO strategy under regular review and being an investment holding subsidiary of the HSBC Holdings plc, takes into account the HSBC Group strategic priorities, as appropriate.

As a result of these activities, the Board believes it has demonstrated compliance with their legal duty under section 172 of the Companies Act 2006.

Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. For further information on the Company's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement, above.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual reports of HSBC Bank plc and HSBC UK Bank plc. Ongoing review of the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows to, and from each subsidiary.

Principal risks and uncertainties

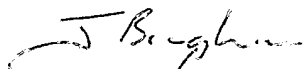
The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 22 of the Notes on the financial statements.

Being an investment holding company, the Company is also subject to the risks of the performance of its subsidiaries which could result in impairment of these investments. The Company's accounting policy for impairment of investments in subsidiaries is set out in Note 1.2 on the Financial Statements.

The Company's exposures to credit, liquidity and market risks (including foreign currency risks and interest rate risk) are limited due to the nature of its business, which includes investing in or financing of subsidiaries.

These transactions are generally funded by way of capital or debt obtained from the parent or other group companies.

On behalf of the Board



J Bingham
Director

27 September 2021

8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Name	Appointed	Resigned
R J Hennity	27 January 2017	31 March 2020
G A Francis	26 February 2018	1 July 2020
I F MacKinnon	26 February 2018	8 February 2021
E J Stevenson	1 January 2019	
J Bingham	1 July 2020	
R Boyns	1 July 2020	
D Millar	1 July 2020	

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

Dividends

Dividends of £488m were declared and paid during the year (2019: £2,262m).

Significant events since the end of the financial year

The financial statements have been prepared on a basis other than going concern as management has initiated liquidation of the Company as part of a legal entity rationalisation programme. This action is unrelated to the performance of the Company and targeted to complete by 31 December 2021 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2020.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. The prior year comparative balances have been prepared on the same basis.

The Company's liquidation process was initiated in April 2021. The Company completed the transfer of 100% ownership of its subsidiaries along with the majority of other assets and liabilities to its parent, HSBC Holdings plc, by 25th May 2021.

No other significant events affecting the Company have occurred since the end of the financial year.

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements have been prepared on a basis other than going concern as management has initiated liquidation of the Company as part of a legal entity rationalisation programme. This action is unrelated to the performance of the Company and targeted to complete by 31 December 2021 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2020.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. The prior year comparative balances have been prepared on the same basis.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 22 of the Notes on the financial statements.

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company is deemed a material subsidiary of HSBC Holdings plc. It is subject to an MREL requirement.

The Company defines capital as total shareholders' equity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

Independent auditors

PricewaterhouseCoopers LLP ('PwC') is external auditor to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditor

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

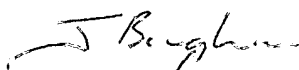
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Directors' confirmations

In the case of each director in office at the date the Report of the Directors is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



J Bingham
Director
27 September 2021

8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of HSBC UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1(f) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries posted that have greater risk of fraud such as those backdated for over 30 days, posted by senior management, prepared and approved by the same users or those posted outside normal working practices. We also incorporated an element of unpredictability into our testing.
- Considering management bias relating to key judgements and assumptions used by management for developing accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

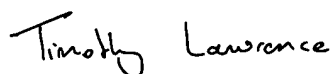
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2021

Financial statements

Income statement for the year ended 31 December 2020

		2020 £'000	2019 £'000
	<i>Notes</i>		
Interest income		276,424	233,719
Interest expense		(276,424)	(233,268)
Net interest income		—	451
Changes in fair value of long-term debt	2	(627,725)	(581,885)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	627,725	581,885
Dividend income		490,054	2,158,810
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	3	(2,237)	1,143
Net operating income		487,817	2,160,404
General and administrative expenses		—	(23)
Total operating expenses		—	(23)
Profit before tax		487,817	2,160,381
Tax credit	7	337	19,226
Profit for the year		488,154	2,179,607

Statement of comprehensive income for the year ended 31 December 2020

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2019: nil).

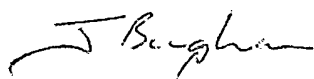
HSBC UK Holdings Limited

Balance sheet at 31 December 2020

Registration No: 10587192

	Notes	2020 £'000	2019 £'000
Assets			
Cash and cash equivalents		419	419
Loans and advances to other group undertakings	12	14,265,046	13,935,983
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	13	7,310,263	6,988,632
Prepayments, accrued income and other assets	14	108,653	115,784
Current tax assets		196	—
Investments in subsidiaries	15	28,729,017	27,729,017
Total assets		50,413,594	48,769,835
Liabilities and equity			
Liabilities			
Loans from other group undertakings	16	14,265,046	13,935,983
Financial liabilities designated at fair value	17	7,310,263	6,988,632
Accruals, deferred income and other liabilities	18	108,653	115,784
Current tax liabilities		—	141
Total liabilities		21,683,962	21,040,540
Equity			
Called up share capital	20	150	150
Share premium account		18,545,091	18,545,091
Other equity instruments	20	5,983,878	5,983,878
Other reserves		4,200,000	3,200,000
Retained earnings		513	176
Total equity		28,729,632	27,729,295
Total liabilities and equity		50,413,594	48,769,835

The financial statements and its accompanying notes on pages 11 to 27 were approved by the Board of Directors on 27 September 2021 and signed on its behalf by:



J Bingham
Director

Statement of cash flows for the year ended 31 December 2020

		2020	2019
	Notes	£'000	£'000
Cash flows from operating activities			
Profit before tax		487,817	2,160,381
Change in operating liabilities		—	(1,521)
Net cash generated from operating activities		487,817	2,158,860
Cash flows from investing activities			
Net loans and advances to other group undertakings designated at fair value	13	(321,631)	(4,519,117)
Purchase of additional tier1 investment in subsidiaries	15	—	(1,318,880)
Net cash (outflow)/inflow from investments in subsidiaries	15	(1,000,000)	1,277,000
Net loans and advances from other group undertakings	12	—	(100,000)
Net cash used in investing activities		(1,321,631)	(4,660,997)
Cash flows from financing activities			
Changes in loans due to other group undertakings	16	—	100,000
Changes in loans due to other group undertakings designated at fair value	17	321,631	4,519,117
Issuance of additional tier1 capital	20	—	1,318,883
Capital contribution received/(returned)		1,000,000	(1,277,000)
Dividends paid		(487,817)	(2,262,392)
Net cash generated from financing activities		833,814	2,398,608
Net decrease in cash and cash equivalents		—	(103,529)
Cash and cash equivalents brought forward		419	103,948
Cash and cash equivalents carried forward	9	419	419

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share Premium £'000	Other equity instruments £'000	Retained earnings £'000	Other reserves Capital contribution reserve £'000	Total equity £'000
At 1 Jan 2020	150	18,545,091	5,983,878	176	3,200,000	27,729,295
Profit for the year	—	—	—	488,154	—	488,154
Total comprehensive income for the year	—	—	—	488,154	—	488,154
Additional tier 1 instrument issued	—	—	—	—	—	—
Dividends to shareholders	—	—	—	(487,817)	—	(487,817)
Capital contribution	—	—	—	—	1,000,000	1,000,000
At 31 Dec 2020	150	18,545,091	5,983,878	513	4,200,000	28,729,632

	Called up share capital £'000	Share Premium £'000	Other equity instruments £'000	Retained earnings £'000	Other reserves Capital contribution reserve £'000	Total equity £'000
At 1 Jan 2019	150	18,545,091	4,598,633	82,961	4,477,000	27,703,835
Profit for the year	—	—	—	2,179,607	—	2,179,607
Total comprehensive income for the year	—	—	—	2,179,607	—	2,179,607
Additional tier 1 instrument issued	—	—	1,385,245	—	—	1,385,245
Dividends to shareholders	—	—	—	(2,262,392)	—	(2,262,392)
Capital contribution	—	—	—	—	(1,277,000)	(1,277,000)
At 31 Dec 2019	150	18,545,091	5,983,878	176	3,200,000	27,729,295

Capital Contribution

The Company received CET1 capital injection of £1,000m from HSBC Holdings plc and invested the same in HSBC Bank plc.

Dividend per share

Dividend per share for the year was £3k (2019: £15k).

Equity is wholly attributable to equity shareholders of HSBC UK Holdings Limited.

Notes on the financial statements

1 Basis of preparation and significant accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. 'Interest Rate Benchmark Reform – Phase 2' which amends IFRS 9, IAS 39 'Financial Instruments', IFRS 7 'Financial Instruments' was adopted for use in the UK and EU in January 2021 and has been early adopted as set out below. Therefore, there were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements.

Standards adopted during the year ended 31 December 2020

IFRS adoptions

Interest Rate Benchmark Reform - Phase 2

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform.

Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

These amendments apply from 1 January 2021 with early adoption permitted. Company has adopted the amendments from 1 January 2020 and has made the additional disclosures as required by the amendments

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has not published any minor amendments effective from 1 January 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

New IFRSs

There are no other new IFRSs published by the IASB effective from 1 January 2021 that will have an impact on the financial statements of the Company

(c) Foreign currencies

The functional currency of the Company is Pound Sterling, which is also the presentational currency of the financial statements of the Company.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(d) Presentation of information

The financial statements have been prepared on a historical cost basis, modified by revaluation of financial assets and liabilities designated at fair value.

All amounts have been rounded to the nearest thousand unless otherwise stated.

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

The financial statements have been prepared on a basis other than going concern as management has initiated liquidation of the Company as part of a legal entity rationalisation programme. This action is unrelated to the performance of the Company and targeted to complete by 31 December 2021 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2020.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. There is no material impact on prior year comparative balances as a result of this decision.

Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Non-interest income and expense

Dividend income is recognised when the right to receive a payment is established. This is the ex-dividend date for listed equity securities and usually the date when the shareholders approve the dividend for unlisted equity securities.

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where a Company is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Company's investments in subsidiaries are stated at cost less impairment losses.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
<ul style="list-style-type: none"> The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects 	<ul style="list-style-type: none"> The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of capital assigned to the investment. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control <p>There were no impairment indicators during the current year therefore no value in use calculation was carried out.</p>

(c) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out and the valuation inputs become observable or the Company enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(d) Financial instruments measured at amortised cost

Loans and advances to other group undertakings

Loans and advances to other group undertakings are those that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Loans from other group undertakings

Loans from other group undertakings are recognised when cash is advanced or contractual arrangements are entered into, which is generally on the trade date. These liabilities are initially measured at fair value less directly attributable transaction costs. The Company derecognises the financial liability when the Company obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(e) Impairment of amortised cost assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

All of the Company's exposures are with other HSBC group undertakings. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the group company's customer risk rating ('CRR'). The CRR of group companies have been virtually the same over the past few years, therefore the exposures are in stage 1. No ECL is recognised as no loss was expected for HSBC group undertakings.

Further details can be found in the ultimate parent HSBC Holdings plc Annual Report and Accounts 2020 note 1.2 (i).

(f) Loans and advances designated and otherwise mandatorily measured at fair value

Financial assets in this category primarily relate to loans and advances. These are category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- where the contractual cash flows of the asset fail Solely Payments of Principal and Interest;
- the use of the designation removes or significantly reduces an accounting mismatch;

Designated loans and advances assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated loans and advances liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'.

(g) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(h) Called up share capital and other equity instruments

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Equity instruments are initially recognised at fair value and are not re-measured in subsequent periods.

(i) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

2 Net income from financial instruments measured at fair value through profit or loss

	2020, £'000	2019 £'000
Net income arising on:		
Changes in own credit spread on long-term debt	7,524	(52,591)
Other changes in fair value	(635,249)	(529,294)
Changes in fair value of long-term debt	(627,725)	(581,885)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	627,725	581,885
Year ended 31 Dec	—	—

3 Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss

	2020 £'000	2019 £'000
Foreign exchange (loss)/gain	(2,237)	1,143
Total other operating expenses	(2,237)	1,143

4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2019: nil).

5 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2019: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

6 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was £26k (2019: £26k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2019: nil).

7 Tax credit

Tax credit

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax		
- For this year	(424)	(19,139)
- Adjustments in respect of prior years	87	(87)
Total current tax	(337)	(19,226)
Year ended 31 Dec	(337)	(19,226)

The UK corporation tax rate applying to the Company was 19% (2019: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%.

Subsequently, in the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment was after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

Tax reconciliation

	2020		2019	
	£'000	(%)	£'000	(%)
Profit before tax	487,817		2,160,381	
Tax at 19.00% (2019: 19.00%)	92,685	19.00	410,472	19.00
Adjustments in respect of prior period liabilities	87	0.02	—	—
Adjustment in respect of prior years	—	—	(87)	—
Non-taxable income and gains	(28,664)	(5.88)	(357,432)	(16.54)
Deductions for AT1 coupon payments	(64,445)	(13.21)	(72,179)	(3.34)
Year ended 31 Dec	(337)	(0.07)	(19,226)	(0.88)

8 Deferred tax

The company has recognised a net nil deferred tax position in the balance sheet and income statement. A deferred tax asset of £150m and a deferred tax liability of £150m exist in relation to the fair value gains and losses from the back to back loans and advances designated at fair value.

9 Reconciliation of profit before tax to net cash flow from operating activities

	2020	2019
	£'000	£'000
Change in operating liabilities		
Change in accruals, deferred income and other liabilities	—	(1,521)
	—	(1,521)
Cash and cash equivalents comprise		
Cash and balances held with other group undertakings	419	419
Interest and dividends		
Interest paid	(283,322)	(196,596)
Interest received	283,322	195,528
Dividends received	490,054	2,158,810

10 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

	FVPL	Amortised cost	Total
	£'000	£'000	£'000
At 31 Dec 2020			
Assets			
Cash and cash equivalents	—	419	419
Loans and advances to other group undertakings	—	14,265,046	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	7,310,263	—	7,310,263
Prepayments, accrued income and other assets	—	108,653	108,653
Total financial assets	7,310,263	14,374,118	21,684,381
Total non-financial assets			28,729,213
Total assets			50,413,594
Liabilities			
Loans from other group undertakings	—	14,265,046	14,265,046
Financial liabilities designated at fair value	7,310,263	—	7,310,263
Accruals, deferred income and other liabilities	—	108,653	108,653
Total financial liabilities	7,310,263	14,373,699	21,683,962
Total non-financial liabilities			—
Total liabilities			21,683,962

	FVPL £'000	Amortised cost £'000	Total £'000
At 31 Dec 2019			
Assets			
Cash and cash equivalents	—	419	419
Loans and advances to other group undertakings	—	13,935,983	13,935,983
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	6,988,632	—	6,988,632
Prepayments, accrued income and other assets	—	115,784	115,784
Total financial assets	6,988,632	14,052,186	21,040,818
Total non-financial assets			27,729,017
Total assets			48,769,835
Liabilities			
Loans from other group undertakings	—	13,935,983	13,935,983
Financial liabilities designated at fair value	6,988,632	—	6,988,632
Accruals, deferred income and other liabilities	—	115,784	115,784
Total financial liabilities	6,988,632	14,051,767	21,040,399
Total non-financial liabilities			141
Total liabilities			21,040,540

11 Fair value of financial instruments not carried at fair value

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

Fair values					
Valuation techniques					
Carrying amount	Quoted price	Observable inputs	Significant unobservable inputs		
£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000		Total £'000
At 31 Dec 2020					
Assets					
Loans and advances to other group undertakings	14,265,046	—	14,880,184	—	14,880,184
Liabilities					
Loans from other group undertakings	14,265,046	—	14,880,184	—	14,880,184

Fair values					
Valuation techniques					
Carrying amount	Quoted price	Observable inputs	Significant unobservable inputs		
£'000	Level 1 £'000	Level 2 * £'000	Level 3 £'000		Total * £'000
At 31 Dec 2019					
Assets					
Loans and advances to other group undertakings	13,935,983	—	14,402,971	—	14,402,971
Liabilities					
Loans from other group undertakings	13,935,983	—	14,402,971	—	14,402,971

* Comparative balances for the fair values have been restated. The restatement does not impact the prior year or current year carrying amounts disclosed on the balance sheet.

12 Loans and advances to other group undertakings

	Nominal interest rate (%)	Maturity date	2020 £'000	2019 £'000
HSBC UK Bank plc ¹	LIBOR +1.78	07/01/2030	1,000,000	1,000,000
HSBC UK Bank plc ¹	LIBOR +1.51	07/03/2028	615,204	635,353
HSBC UK Bank plc ¹	LIBOR +2.03	09/11/2033	650,000	650,000
HSBC UK Bank plc ¹	LIBOR +1.51	07/03/2028	550,000	550,000
HSBC UK Bank plc ¹	Fixed to Floating 2.859	27/03/2029	100,000	100,000
HSBC Bank plc ²	Fixed Annual 1.728	19/12/2024	1,795,371	1,697,905
HSBC Bank plc ²	EURIBOR +1.51	19/12/2024	1,346,528	1,273,429
HSBC Bank plc ²	LIBOR +1.86	2/11/2021	329,574	340,368
HSBC Bank plc ²	EURIBOR +1.37	28/06/2027	269,306	254,686
HSBC Bank plc ²	EURIBOR +1.50	21/06/2028	269,306	254,686
HSBC Bank plc ²	LIBOR +1.71	5/10/2023	200,000	200,000
HSBC Bank plc ²	Fixed Annual 1.125	09/06/2024	1,795,371	1,697,905
HSBC Bank plc ²	Fixed semi-annual 3.540	25/05/2023	1,464,772	1,512,745
HSBC Bank plc ²	EURIBOR +0.55	10/05/2023	1,346,528	1,273,429
HSBC Bank plc ²	Fixed Annual 1.465	15/3/2027	1,122,107	1,061,191
HSBC Bank plc ²	Fixed semi-annual 3.43	13/3/2022	549,291	567,279
HSBC Bank plc ²	Fixed semi-annual 4.186	13/3/2027	549,290	567,279
HSBC France ³	EURIBOR +2.01	22/12/2029	233,398	220,728
Marks and Spencer Financial Services plc ⁴	LIBOR +4.05	3/11/2026	54,000	54,000
Marks and Spencer Financial Services plc ⁴	LIBOR +1.925	12/8/2027	25,000	25,000
At 31 Dec			14,265,046	13,935,983

* Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at book value

1 Loans and advances to HSBC UK Bank plc were net settled with loans and advances from HSBC Holdings plc (Note 16).

2 Loans and advances to HSBC Bank plc were net settled with loans and advances from HSBC Holdings plc (Note 16).

3 Loans and advances to HSBC France were net settled with loans and advances from HSBC Holdings plc (Note 16).

4 Loans and advances to Marks and Spencer Financial Services plc were net settled with loans and advances from HSBC Holdings plc (Note 16).

The loans are denominated in Sterling, US dollar and Euro and the effective interest based in Sterling and US dollar LIBOR and EURIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

13 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	Nominal interest rate %	Maturity date	Nominal value	2020 £'000	2019 £'000
HSBC UK Bank plc ¹	Fixed to Floating 3.2485	13/11/2026	1,000,000	1,109,638	1,074,583
HSBC UK Bank plc ¹	Fixed to Floating 3.4602	16/8/2029	1,000,000	1,149,064	1,102,001
HSBC UK Bank plc ¹	Fixed to Floating 3.9730	22/5/2030	2,197,158	2,544,243	2,457,272
HSBC UK Bank plc ¹	Fixed to Floating 3.0000	22/7/2028	1,000,000	1,123,400	1,059,170
HSBC UK Bank plc ¹	Fixed to Floating 3.0000	29/5/2030	750,000	861,000	794,843
HSBC UK Bank plc ¹	Fixed to Floating 1.8777	31/10/2025	350,000	365,159	349,279
HSBC UK Bank plc ¹	Fixed to Floating 2.1003	31/10/2025	150,000	157,759	151,484
At 31 Dec			6,447,158	7,310,263	6,988,632

* Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at fair value.

1 Loans and advances to HSBC UK Bank plc were net settled with loans and advances from HSBC Holdings plc designated at fair value (Note 17).

The loans are denominated in Sterling and the effective interest based in LIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

The loans are carried at fair value, with any changes from remeasurement to fair value recognised in the income statement (Note 3).

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair values of these loans and advances are estimated using pricing inputs including first call date, nominal yield curve, credit spread and coupon information.

14 Prepayments, accrued income and other assets

	2020 £'000	2019 £'000
Amounts due from other group undertakings	108,653	115,784
At 31 Dec	108,653	115,784

Amounts due from other group undertakings are non-interest bearing and the fair value is not significantly different to the carrying value in the balance sheet as they are short term in nature.

Amounts due from other group undertakings are unsecured and non-interest bearing.

15 Investment in subsidiaries

Movements on investments

	2020 £'000	2019 £'000
Cost		
At 1 Jan	27,729,017	27,620,774
Additions	1,000,000	1,385,245
Other movements	—	(1,277,002)
At 31 Dec	28,729,017	27,729,017

Additions of investments

During the year, the Company invested £1,000m in its subsidiary HSBC Bank plc.

Explanation of other movements

In 2019, the Company's subsidiary HSBC Bank plc, distributed £1,277m as a return of cost of capital.

Impairment testing of investment in subsidiaries

Impairment on investments:

There were no impairments of investments in subsidiaries during the year (2019: nil).

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment.

The process of identifying and evaluating impairment is inherently uncertain because it requires significant management judgement in making a series of estimations, the results of which are highly sensitive to the assumptions used. The below process is followed if there is an indication of a change in impairments and represents management's best estimate of the factors below:

Nominal long-term growth rate: The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the Group of business units making up the subsidiaries. In prior years impairment testing, these growth rates reflected GDP and inflation (nominal GDP) for the countries within which the subsidiary of the Company operates or from which it derives revenue; and

Discount rate: The rate used to discount the cash flows is based on the cost of capital assigned to each subsidiary, which is derived using a Capital Asset Pricing Model ('CAPM'). The CAPM depends on a number of inputs reflecting financial and economic variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each subsidiary are refined to reflect the rates of inflation for the countries within which the subsidiaries operate. In addition, for the purposes of testing subsidiaries for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM with cost of capital rates produced by external sources for businesses operating in similar markets; and

Management's judgement in estimating the cash flows: The cash flow projections for each subsidiary are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data in future years; however, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects at the time of the assessment. When this exercise demonstrates that the expected cash flows of a subsidiary have declined and/or that its cost of capital has increased, the effect is to reduce the subsidiary's estimated recoverable amount. If this is lower than the carrying value of the subsidiary, a charge for impairment will be recognised in the Company income statement for the year. The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. In the event of a significant deterioration in economic and credit conditions compared with those reflected by management in the cash flow forecasts for the subsidiaries, a material adjustment to a subsidiary's recoverable amount may occur which may result in the recognition of an impairment charge in the income statement.

There were no impairment indicators during the current year therefore no value in use calculation was carried out.

The principal subsidiary undertakings of the Company as at 31 December 2020 and 31 December 2019 are set out below.

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC UK Bank plc	United Kingdom	100	Ordinary shares
HSBC Bank plc	United Kingdom	100	Ordinary shares, Preference shares

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set out in Note 26.

16 Loans from other group undertakings

	Nominal interest rate (%)	Maturity date	2020 £'000	2019 £'000
HSBC Holdings plc	LIBOR +1.78	01/07/2030	1,000,000	1,000,000
HSBC Holdings plc	LIBOR +1.51	03/07/2028	615,204	635,353
HSBC Holdings plc	LIBOR +2.03	11/09/2033	650,000	650,000
HSBC Holdings plc	LIBOR +1.51	03/07/2028	550,000	550,000
HSBC Holdings plc	Fixed to Floating 2.8594	27/03/2029	100,000	100,000
HSBC Holdings plc	Fixed Annual 1.728	19/12/2024	1,795,371	1,697,905
HSBC Holdings plc	EURIBOR +1.51	19/12/2024	1,346,528	1,273,429
HSBC Holdings plc	LIBOR +1.86	11/02/2021	329,574	340,368
HSBC Holdings plc	EURIBOR +1.37	28/06/2027	269,306	254,686
HSBC Holdings plc	EURIBOR +1.50	21/06/2028	269,306	254,686
HSBC Holdings plc	LIBOR +1.71	10/05/2023	200,000	200,000
HSBC Holdings plc	Fixed semi-annual 3.5404	25/05/2023	1,464,772	1,512,745
HSBC Holdings plc	EURIBOR +0.55	05/10/2023	1,346,528	1,273,429
HSBC Holdings plc	Fixed Annual 1.125	06/09/2024	1,795,371	1,697,905
HSBC Holdings plc	Fixed Annual 1.4648	15/03/2027	1,122,107	1,061,191
HSBC Holdings plc	Fixed semi-annual 3.43	13/03/2022	549,291	567,279
HSBC Holdings plc	Fixed semi-annual 4.186	13/03/2027	549,290	567,279
HSBC Holdings plc	EURIBOR + 2.01	22/12/2029	233,398	220,728
HSBC Holdings plc	LIBOR +4.05	11/03/2026	54,000	54,000
HSBC Holdings plc	LIBOR +1.925	08/12/2027	25,000	25,000
At 31 Dec			14,265,046¹	13,935,983

* Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at book value

The loans are denominated in Sterling, US dollar and Euro and the effective interest based in Sterling and US dollar LIBOR and EURIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

17 Financial liabilities designated at fair value

	Nominal interest rate %	Maturity date	Nominal value	2020 £'000	2019 £'000
HSBC Holdings plc ¹	Fixed to Floating 3.2485	13/11/2026	1,000,000	1,109,638	1,074,583
HSBC Holdings plc ¹	Fixed to Floating 3.4602	16/8/2029	1,000,000	1,149,064	1,102,001
HSBC Holdings plc ¹	Fixed to Floating 3.9730	22/5/2030	2,197,158	2,544,243	2,457,272
HSBC Holdings plc ¹	Fixed to Floating 3.0000	22/7/2028	1,000,000	1,123,400	1,059,170
HSBC Holdings plc ¹	Fixed to Floating 3.0000	29/5/2030	750,000	861,000	794,843
HSBC Holdings plc ¹	Fixed to Floating 1.8777	31/10/2025	350,000	365,159	349,279
HSBC Holdings plc ¹	Fixed to Floating 2.1003	31/10/2025	150,000	157,759	151,484
At 31 December			6,447,158	7,310,263	6,988,632

* Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at fair value.

¹ Financial liabilities designated at fair value¹ from HSBC Holdings plc were net settled with 'Financial assets designated and otherwise mandatorily measured at fair value through profit or loss' from HSBC UK Bank plc (Note 13).

The loans are denominated in sterling and the effective interest based in LIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans. The loans are carried at fair value, with any changes from remeasurement to fair value recognised in the income statement (Note 3).

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair values of these loans and advances are estimated using pricing inputs including first call date, nominal yield curve, credit spread and coupon information.

18 Accruals, deferred income and other liabilities

	2020 £'000	2019 £'000
Amounts owed to other group undertakings	108,653	115,784
At 31 Dec	108,653	115,784

Amounts due to other group undertakings are unsecured and non-interest bearing amounts. Fair value is not significantly different to the carrying value in the balance sheet as they are short term in nature.

19 Maturity analysis of assets and liabilities

The following is an analysis of assets and liabilities by residual contractual maturities at the balance sheet date.

	On demand £'000	Due within 3 months £'000	Due between 3 - 12 months £'000	Due between 1 - 5 years £'000	Due after 5 years £'000	Undated £'000	Total £'000
Assets							
Cash and cash equivalents	419	—	—	—	—	—	419
Loans and advances to other group undertakings ¹	—	329,574	—	8,497,861	5,437,611	—	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss ²	—	—	—	522,918	6,787,345	—	7,310,263
Prepayments, accrued income and other assets	—	40,564	68,089	—	—	—	108,653
Non-financial assets	—	—	—	—	—	28,729,213	28,729,213
At 31 Dec 2020	419	370,138	68,089	9,020,779	12,224,956	28,729,213	50,413,594
Liabilities and Equity							
Loans from other group undertakings ¹	—	329,574	—	8,497,861	5,437,611	—	14,265,046
Loans from other group undertakings designated at fair value ²	—	—	—	522,918	6,787,345	—	7,310,263
Accruals, deferred income and other liabilities	—	40,564	68,089	—	—	—	108,653
Non-financial liabilities	—	—	—	—	—	—	—
Equity	—	—	—	—	—	28,729,632	28,729,632
At 31 Dec 2020	—	370,138	68,089	9,020,779	12,224,956	28,729,632	50,413,594

The maturities have been presented as at the 31 December 2020 and the liquidation process has no impact on the contractual maturity dates of the assets and liabilities.

1 Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at book value

2 Loan maturity date is not impacted by the Company's liquidation as this will remain the same when the loan balance is transferred to the new HSBC counterparty at fair value

	On demand £'000	Due within 3 months £'000	Due between 3 - 12 months £'000	Due between 1 - 5 years £'000	Due after 5 years £'000	Undated £'000	Total £'000
Assets							
Cash and cash equivalents	419	—	—	—	—	—	419
Loans and advances to other group undertakings	—	—	—	8,363,060	5,572,923	—	13,935,983
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—	—	6,988,632	—	6,988,632
assets	—	47,709	68,075	—	—	—	115,784
Other assets	—	—	—	—	—	—	—
Non-financial assets	—	—	—	—	—	27,729,017	27,729,017
At 31 Dec 2019	419	47,709	68,075	8,363,060	12,561,555	27,729,017	48,769,835
Liabilities and Equity							
Loans from other group undertakings	—	—	—	8,363,060	5,572,923	—	13,935,983
Financial liabilities designated at fair value	—	—	—	—	6,988,632	—	6,988,632
liabilities	—	47,709	68,075	—	—	—	115,784
Non-financial liabilities	—	—	141	—	—	—	141
Equity	—	—	—	—	—	27,729,295	27,729,295
At 31 Dec 2019	—	47,709	68,216	8,363,060	12,561,555	27,729,295	48,769,835

20 Called up share capital and other equity instruments

Called up share capital

	2020		2019	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	150,004	150	150,004	150
At 31 Dec	150,004	150	150,004	150

All shares rank equally with one vote attached to each fully paid share.

Other equity instruments

HSBC UK Holdings Limited additional tier 1 instruments		
	2020	2019
	£'000	£'000
£1,100m Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2024 onwards)	1,100,000	1,100,000
£1,096m Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2019 onwards)	1,095,514	1,095,514
€1,900m Undated Subordinated Resettable Additional Tier 1 instrument issued 2015 (Callable December 2020 onwards)	1,388,471	1,388,471
£555m Undated Subordinated Resettable Additional Tier 1 instrument 2018 (Callable March 2023 onwards)	555,000	555,000
€300m Undated Subordinated Resettable Additional Tier 1 instrument 2018 (Callable March 2023 onwards)	262,561	262,561
€235m Undated Subordinated Resettable Additional Tier 1 instrument issued 2016 (Callable January 2022 onwards)	197,087	197,087
€200m Undated Subordinated Additional Tier 1 instrument issued 2019 (Callable January 2025 onwards)	174,801	174,801
£40m Undated Subordinated Additional Tier 1 instrument issued 2016 (Callable March 2021 onwards)	45,212	45,212
£20m Undated Subordinated Additional Tier 1 instrument issued 2017 (Callable December 2022 onwards)	21,150	21,150
€250m Undated Subordinated Resettable Additional Tier 1 instrument issued 2019 (Callable 29 November 2024 onwards)	213,082	213,082
£500m Undated Subordinated Resettable Additional Tier 1 instrument issued 2019 (Callable 29 November 2024 onwards)	500,000	500,000
£431m Undated Deeply Subordinated instrument issued 2019 (Callable 17 December 2024 onwards)	431,000	431,000
At 31 Dec	5,983,878	5,983,878

Interest on these instruments will be due and payable only at the sole discretion of the Company, and the Company has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any date. There are limitations on the payment of principal, interest or other amounts if such payments are prohibited under UK banking regulations, or other requirements, if the Company has insufficient distributable items or if the Company fails to satisfy the solvency condition as defined in the instruments terms.

The instruments are undated and are repayable, at the option of the Company, in whole at the initial call date, or on any Interest Payment Date after the initial call date. In addition, the instruments are repayable at the option of the Company in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the Prudential Regulation Authority.

21 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2020 (2019: nil).

22 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month to address asset, liability and risk management issues for the HSBC Group. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract.

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and portfolio basis. The Directors are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality.

The Company exposure to credit risk in relation to cash and cash equivalents to group undertakings that are wholly-owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable. Credit risk arising from default on other loans is not expected to have a material impact on the Company's net assets.

Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	2020		
	Maximum exposure £'000	Offset £'000	Net £'000
Cash and cash equivalents	419	—	419
Loans from other group undertakings	14,265,046	—	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	7,310,263	—	7,310,263
Prepayments, accrued income and other assets	108,653	—	108,653
At 31 Dec	21,684,381	—	21,684,381

HSBC UK Holdings Limited

	2019		
	Maximum exposure £'000	Offset £'000	Net £'000
Cash and cash equivalents	419	—	419
Loans from other group undertakings	13,935,983	—	13,935,983
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	6,988,632	—	6,988,632
Prepayments, accrued income and other assets	115,784	—	115,784
At 31 Dec	21,040,818	—	21,040,818

Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	Carrying value £'000	Contractual cash flows £'000	On Demand £'000	Due within 3 months £'000	Due between 3-12 months £'000	Due between 1-5 years £'000	Due after 5 years £'000	Total £'000
Loans from other group undertakings	14,265,046	—	—	400,188	207,608	9,140,420	6,076,149	15,824,365
Financial liabilities designated at fair value	7,310,263	—	—	54,151	162,452	1,364,871	6,660,826	8,242,300
Accruals, deferred income and other liabilities	108,653	—	—	—	108,653	—	—	108,653
At 31 Dec 2020	21,683,962	—	—	454,339	478,713	10,505,291	12,736,975	24,175,318

The maturities have been presented as at the 31 December 2020 and the liquidation process has no impact on the contractual maturity dates of the assets and liabilities.

	Carrying value £'000	Contractual cash flows £'000	On Demand £'000	Due within 3 months £'000	Due between 3-12 months £'000	Due between 1-5 years £'000	Due after 5 years £'000	Total £'000
Loans from other group undertakings	13,935,983	—	—	72,081	216,242	9,317,688	6,150,029	15,756,040
Financial liabilities designated at fair value	6,988,632	—	—	54,865	164,596	877,846	7,463,263	8,560,570
Accruals, deferred income and other liabilities	115,784	—	—	—	115,784	—	—	115,784
At 31 Dec 2019	21,040,399	—	—	126,946	496,622	10,195,534	13,613,292	24,432,394

Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the Company's income or the value of its portfolios. Exposure to these risks arises from short-term cash balances and funding positions with other group undertakings.

The objective of the Company risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

Foreign exchange risk

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than sterling.

The Company has minimal foreign currency risk exposure in respect of monetary assets and liabilities held in currencies other than sterling, as the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot, or forward rates where necessary to address short term imbalances.

Interest rate risk

The Company is not exposed to significant interest rate as all its interest bearing financial assets and financial liabilities are matched funded.

23 Related party transactions

Transactions with other related parties

Balances and transactions with other related parties can be summarised as follows:

	2020		2019	
	Highest balance during the year £'000	Balance at 31 December £'000	Highest balance during the year £'000	Balance at 31 December £'000
Assets				
Cash and cash equivalents ¹	100,426	419	1,281,441	419
Loans and advances to other group undertakings ²	14,751,247	14,265,046	14,803,193	13,935,983
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss ²	7,310,263	7,310,263	7,198,714	6,988,632
Prepayments, accrued income and other assets	201,131	108,653	183,945	115,784
Liabilities				
Loans from other group undertakings ³	14,751,247	14,265,046	14,803,193	13,935,983
Financial liabilities designated at fair value	7,310,263	7,310,263	7,198,714	6,988,632
Accruals, deferred income and other liabilities	201,131	108,653	183,945	115,784

The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

	2020 £'000	2019 £'000
Interest income ^{1,2}	276,424	233,719
Interest expense ³	(276,424)	(233,268)
Dividend income ²	627,724	2,158,810

¹ These balances are with other related parties comprising of other HSBC Group Companies which are not a parent nor subsidiary of the Company.

² These balances are with subsidiary of the Company.

³ These balances are with the parent of the Company.

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

24 Parent undertakings

The ultimate and immediate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of HSBC Holdings plc's consolidated financial statements can be obtained from:

HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

25 Events after the balance sheet date

The financial statements have been prepared on a basis other than going concern as management has initiated liquidation of the Company as part of a legal entity rationalisation programme. This action is unrelated to the performance of the Company and targeted to complete by 31 December 2021 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2020.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. The prior year comparative balances have been prepared on the same basis.

The Company's liquidation process was initiated in April 2021. The Company completed the transfer of 100% ownership of its subsidiaries along with the majority of other assets and liabilities to its parent, HSBC Holdings plc, by 25th May 2021.

No other significant events affecting the Company have occurred since the end of the financial year.

HSBC UK Holdings Limited

26 HSBC UK Holdings Limited's subsidiaries, joint venture and associates

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2020 is disclosed below.

Subsidiaries	Interest (%)	Footnotes
Assetfinance December (F) Limited	100.00	1,39
Assetfinance December (H) Limited	100.00	1,39
Assetfinance December (M) Limited	100.00	1,39
Assetfinance December (P) Limited	100.00	1,39
Assetfinance December (R) Limited	100.00	1,39
Assetfinance June (A) Limited	100.00	1,39
Assetfinance June (D) Limited	100.00	1,39
Assetfinance Limited	100.00	1,39
Assetfinance March (B) Limited	100.00	1,33
Assetfinance March (D) Limited	100.00	1,39
Assetfinance March (F) Limited	100.00	1,39
Assetfinance September (F) Limited	100.00	1,39
Assetfinance September (G) Limited	100.00	1,39
B&Q Financial Services Limited	100.00	1,47
Banco Nominees (Guernsey) Limited	100.00	1,42
Banco Nominees 2 (Guernsey) Limited	100.00	1,42
Beau Soleil Limited Partnership	N/A	10,58
Billingsgate Nominees Limited	100.00	1,39
Canada Crescent Nominees (UK) Limited	100.00	1,39
Canada Square Nominees (UK) Limited	100.00	1,39
Canada Water Nominees (UK) Limited (in liquidation)	100.00	1,39
CCF & Partners Asset Management Limited	99.99	1,39
CCF Holding (LIBAN) S.A.L. (in liquidation)	74.99	1,71
Charterhouse Administrators (D.T.) Limited	100.00	1,39
Charterhouse Development Limited (in liquidation)	100.00	1,52
Charterhouse Management Services Limited	100.00	1,39
Charterhouse Pensions Limited	100.00	1,39
COIF Nominees Limited	N/A	10,39
Corsair IV Financial Services Capital Partners	N/A	10,45
Dem 5	100.00	5,31
Dem 9	100.00	5,31
Dempar 1	100.00	5,17
Dempar 4	100.00	5,17
Elysées Immo Invest	100.00	5,36
Equator Holdings Limited (in liquidation)	100.00	1,39
Eton Corporate Services Limited	100.00	1,42
Fdm 5 SAS	100.00	5,31
Finanpar 2	100.00	5,36
Finanpar 7	100.00	5,36
Flandres Contentieux S.A.	100.00	5,23
Foncière Elysées	100.00	5,17
Forward Trust Rail Services Limited (in liquidation)	100.00	1,39
Griffin International Limited	100.00	1,39
Grundstuecksgesellschaft Trinkausstrasse Kommanditgesellschaft	N/A	10,63
Hg Janus A Co-Invest L.P.	N/A	10,15
HITG Administration GmbH	100.00	1,19
Hongkong International Trade Finance (Holdings) Limited (in liquidation)	100.00	1,39
HSBC (BGF) Investments Limited	100.00	1,39
HSBC Alpha Funding (UK) Holdings LP (in liquidation)	N/A	10,67
HSBC Asset Finance (UK) Limited	100.00	1,39
HSBC Asset Finance Holdings Limited (in liquidation)	100.00	1,39

Subsidiaries	Interest (%)	Footnotes
HSBC Asset Finance M.O.G. Holdings (UK) Limited	100.00	1,39
HSBC Assurances Vie (France)	100.00	5,23
HSBC Bank (General Partner) Limited	100.00	1,56
HSBC Bank (RR) (Limited Liability Company)	100.00	8,26
HSBC Bank Armenia cjsc	70.00	1,38
HSBC Bank Capital Funding (Sterling 1) LP	N/A	10,56
HSBC Bank Capital Funding (Sterling 2) LP	N/A	10,56
HSBC Bank Malta p.l.c.	70.03	1,20
HSBC Bank Nominee (Jersey) Limited	100.00	1,55
HSBC Bank Pension Trust (UK) Limited	100.00	1,39
HSBC Bank plc	100.00	2,39
HSBC Bank Polska S.A.	100.00	3,70
HSBC Branch Nominee (UK) Limited	100.00	1,39
HSBC City Funding Holdings	100.00	1,39
HSBC Client Holdings Nominee (UK) Limited	100.00	1,39
HSBC Client Share Offer Nominee (UK) Limited	100.00	1,39
HSBC Corporate Trustee Company (UK) Limited	100.00	1,39
HSBC Custody Services (Guernsey) Limited	100.00	1,42
HSBC Enterprise Investment Company (UK) Limited	100.00	1,39
HSBC Epargne Entreprise (France)	100.00	5,23
HSBC Equator (UK) Limited (in liquidation)	100.00	1,39
HSBC Equipment Finance (UK) Limited	100.00	1,39
HSBC Equity (UK) Limited	100.00	1,39
HSBC Europe B.V.	100.00	1,39
HSBC Executor & Trustee Company (UK) Limited	100.00	1,39
HSBC Factoring (France)	100.00	5,17
HSBC Finance Limited	100.00	1,39
HSBC France	99.99	5,17
HSBC Germany Holdings GmbH	100.00	4,63
HSBC Global Asset Management (Deutschland) GmbH	80.67	4,63
HSBC Global Asset Management (France)	100.00	5,59
HSBC Global Asset Management (International) Limited (in liquidation)	100.00	1,57
HSBC Global Asset Management (Malta) Limited	70.03	1,40
HSBC Global Asset Management (Oesterreich) GmbH	80.67	6,51
HSBC Global Asset Management (Switzerland) AG	90.33	5,50
HSBC Global Custody Nominee (UK) Limited	100.00	1,39
HSBC Global Custody Proprietary Nominee (UK) Limited	100.00	1,39
HSBC Global Shared Services (India) Private Limited (in liquidation)	99.99	1,34
HSBC Infrastructure Limited	100.00	1,39
HSBC INKA Investment-AG TGV	80.67	9,43
HSBC Institutional Trust Services (Ireland) DAC	N/A	10,13
HSBC Insurance Management Services Limited (in liquidation)	100.00	1,14
HSBC Insurance Services Holdings Limited	100.00	1,39
HSBC International Holdings (Jersey) Limited (in liquidation)	100.00	1,55
HSBC International Limited (in liquidation)	100.00	1,55
HSBC International Trade Finance Limited (in liquidation)	100.00	1,39
HSBC Investment Bank Holdings Limited	100.00	1,39
HSBC Invoice Finance (UK) Limited	100.00	1,28
HSBC Issuer Services Common Depositary Nominee (UK) Limited	100.00	1,39
HSBC Issuer Services Depositary Nominee (UK) Limited	100.00	1,39
HSBC Leasing (France)	99.99	5,31

HSBC UK Holdings Limited

Subsidiaries	Interest (%)	Footnotes
HSBC Life (UK) Limited	100.00	1,39
HSBC Life Assurance (Malta) Limited	70.03	1,40
HSBC LU Nominees Limited	100.00	1,39
HSBC Marking Name Nominee (UK) Limited	100.00	1,39
HSBC Middle East Leasing Partnership	N/A	10,68
HSBC Operational Services GmbH	N/A	10,29
HSBC Overseas Nominee (UK) Limited	100.00	1,39
HSBC PB Corporate Services 1 Limited	100.00	1,54
HSBC Pension Trust (Ireland) DAC	100.00	1,13
HSBC PI Holdings (Mauritius) Limited	100.00	1,53
HSBC Preferential LP (UK)	100.00	1,39
HSBC Private Bank (C.I.) Limited	100.00	1,42
HSBC Private Bank (UK) Limited	100.00	1,39
HSBC Private Banking Nominee 3 (Jersey) Limited	100.00	1,54
HSBC Private Equity Investments (UK) Limited	100.00	1,39
HSBC Property Funds (Holding) Limited	100.00	1,39
HSBC Rail (UK) Limited (in liquidation)	100.00	1,39
HSBC Real Estate Leasing (France)	99.99	5,23
HSBC REIM (France)	99.99	5,23
HSBC Representative Office (Nigeria) Limited	100.00	1,72
HSBC Securities (South Africa) (Pty) Limited	100.00	1,25
HSBC Securities Services (Guernsey) Limited	100.00	1,42
HSBC Securities Services (Ireland) DAC	100.00	1,13
HSBC Securities Services (Luxembourg) S.A.	100.00	1,24
HSBC Securities Services Holdings (Ireland) DAC	100.00	1,13
HSBC Services (France)	99.99	5,17
HSBC SFH (France)	99.99	5,23
HSBC Specialist Investments Limited	100.00	1,39
HSBC Stockbrokers Nominee (UK) Limited	100.00	1,39
HSBC Transaction Services GmbH	80.67	6,73
HSBC Trinkaus & Burkhart (International) S.A.	80.67	4,24
HSBC Trinkaus & Burkhart AG	80.67	9,63
HSBC Trinkaus & Burkhart Gesellschaft für Bankbeteiligungen mbH	80.67	4,63
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	80.67	1,63
HSBC Trinkaus Family Office GmbH	80.67	6,63
HSBC Trinkaus Immobilien Beteiligungs KG	80.67	1,63
HSBC Trinkaus Real Estate GmbH	80.67	6,63
HSBC Trust Company (UK) Limited	100.00	1,39
HSBC Trustee (C.I.) Limited	100.00	1,54
HSBC Trustee (Guernsey) Limited	100.00	1,42
HSBC UK Bank plc	100.00	1,12
HSBC UK Client Nominee Limited	100.00	1,39
HSBC Wealth Client Nominee Limited	100.00	1,39
HSIL Investments Limited	100.00	1,39
InfraRed NF China Real Estate Investments LP	N/A	10,69
INKA Internationale Kapitalanlagegesellschaft mbH	80.67	4,73
IRERE Property Investments (French Offices) Sarl (in liquidation)	100.00	1,35
James Capel & Co. Limited	100.00	1,39
James Capel (Nominees) Limited	100.00	1,39
James Capel (Second Nominees) Limited (in liquidation)	100.00	1,52
James Capel (Taiwan) Nominees Limited	100.00	1,39
John Lewis Financial Services Limited	100.00	1,39
Keyser Ullmann Limited	99.99	1,39
Kings Meadow Nominees Limited (in liquidation)	100.00	1,52

Subsidiaries	Interest (%)	Footnotes
Legend Estates Limited (in liquidation)	100.00	1,39
Marks and Spencer Financial Services plc	100.00	1,62
Marks and Spencer Retail Financial Services Holdings Limited (in liquidation)	100.00	1,52
Marks and Spencer Savings and Investments Limited (in liquidation)	100.00	1,62
Marks and Spencer Unit Trust Management Limited	100.00	1,62
Midcorp Limited	100.00	1,39
Midland Bank (Branch Nominees) Limited	100.00	1,39
Midland Nominees Limited	100.00	1,39
MIL (Jersey) Limited	100.00	1,54
Prudential Client HSBC GIS Nominee (UK) Limited	100.00	1,39
Republic Nominees Limited	100.00	1,42
RLUKREF Nominees (UK) One Limited	100.00	1,39
RLUKREF Nominees (UK) Two Limited	100.00	1,39
S.A.P.C. - Ufipro Recouvrement	99.97	7,31
Saf Baiyun	99.99	5,36
Saf Chang Jiang	99.99	5,36
Saf Guangzhou	99.99	5,36
Saf Zhu Jiang	99.99	5,36
Saf Zhu Jiang Shi Ba	99.99	5,36
Saf Zhu Jiang Shi Er	99.99	5,36
Saf Zhu Jiang Shi Jiu	99.99	5,36
Saf Zhu Jiang Shi Liu	99.99	5,36
Saf Zhu Jiang Shi Qi	99.99	5,36
Saf Zhu Jiang Shi Wu	99.99	5,36
SAS Bosquet -Audrain	94.90	5,22
SAS Cyatheas Pasteur	94.93	5,31
SCI HSBC Assurances Immo	99.99	7,23
SFM	99.99	5,17
SFSS Nominees (Pty) Limited	100.00	1,25
SNC Dorique	99.99	7,32
SNC Kerouan	99.99	7,36
SNC Les Mercuriales	99.99	7,36
SNC Les Oliviers D'Antibes	60.00	7,23
SNC Makala	99.99	7,36
SNC Nuku-Hiva Bail	99.99	7,36
SNCB/M6 - 2008 A	99.99	5,36
SNCB/M6-2007 A	99.99	5,36
SNCB/M6-2007 B	99.99	5,36
Societe CCF Finance Moyen-Orient S.A.L. (in liquidation)	99.08	1,71
Société Française et Suisse	99.99	5,36
Somers Dublin DAC	99.99	1,13
Sopingest	99.99	5,36
South Yorkshire Light Rail Limited	100.00	1,39
St Cross Trustees Limited	100.00	1,39
Swan National Leasing (Commercials) Limited	100.00	1,39
Swan National Limited	100.00	1,39
Thasosfin	99.99	5,23
The Venture Catalysts Limited	100.00	1,39
Trinkaus Australien Immobilien Fonds Nr. 1 Brisbane GmbH & Co. KG	80.67	1,63
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand-GmbH	80.67	6,63
Trinkaus Europa Immobilien-Fonds Nr.3 Objekt Utrecht Verwaltungs-GmbH	80.67	1,63
Trinkaus Immobilien-Fonds Geschäftsführungs-GmbH	80.67	6,63
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	80.67	6,63
Trinkaus Private Equity Management GmbH	80.67	1,63

HSBC UK Holdings Limited

Subsidiaries	Interest (%)	Footnotes
Trinkaus Private Equity Verwaltungs GmbH	80.67	6,63
Turnsonic (Nominees) Limited	100.00	1,39
Valeurs Mobilières Elysées	99.99	5,18

Joint Ventures	Interest (%)	Footnotes
Vaultex UK Limited	50.00	1,41
HCM Holdings Limited	51.00	1,52
Sino AG	20.12	,49
The London Silver Market Fixing Limited	N/A	10,44

Associates	Interest (%)	Footnotes
BGF Group PLC	24.51	1,21
Bud Financial Limited	8.20	11,27
CFAC Payment Scheme Limited	33.33	3,37
Chemi & Cotex (Rwanda) Limited	33.99	1,61
Chemi & Cotex Kenya Limited	34.00	1,64
Chemi and Cotex Industries Limited	34.00	1,66
Jeppe Star Limited	34.00	1,46
Novo Star Limited	34.00	1,60
Quantexa Ltd	10.51	11,48
Services Epargne Entreprise	14.35	5,30
Vizolution Limited	17.95	1,65
We Trade Innovation Designated Activity Company	8.52	1,16

Subsidiaries

Reference	Description of Shares
1	Ordinary Shares
2	Ordinary Shares & Preference Shares
3	Preference Shares
4	Common Shares
5	Actions
6	GmbH Anteil
7	Parts
8	Russian Limited Liability Company Shares
9	Stückaktien
10	This undertaking is a partnership and does not have share capital
11	HSBC Bank plc exercises control or significant influence over this undertakings notwithstanding its equity interest

HSBC UK Holdings Limited

Reference	Registered Office
12	1 Centenary Square, Birmingham, United Kingdom, B1 1HQ
13	1 Grand Canal Square Grand Canal Harbour, Dublin 2, D02 P820, Ireland
14	1 More London Place, London, United Kingdom, SE1 2AF
15	1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL
16	10 Earlsfort Terrace, Dublin, Ireland, D02 T380
17	103, avenue des Champs-Élysées, Paris, France, 75008
18	109 avenue des Champs-Élysées, Paris, France, 75008
19	11-17 Ludwig-Erhard-Str., Hamburg, Germany, 20459
20	116 Archbishop Street, Valletta, Malta
21	13 - 15 York Buildings, London, United Kingdom, WC2N 6JU
22	15 rue Guynemer BP 412, Noumea, New Caledonia, 98845
23	15, rue Vernet, Paris, France, 75008
24	16 Boulevard d'Avranches, Luxembourg, L-1160
25	2 Exchange Square 85 Maude Street, Sandown, Sandton, South Africa, 2196
26	2 Paveletskaya square, building 2, Moscow, Russian Federation, 115054
27	207 First Floor The Bower, 207 Old Street., England, United Kingdom, EC1V 9NR
28	21 Farncombe Road, Worthing, United Kingdom, BN11 2BW
29	21-23 Yorckstraße, Düsseldorf, Nordrhein-Westfalen, Germany, 40476
30	32, rue du Champ de Tir, NANTES, France, 44300
31	39, rue de Bassano, Paris, France, 75008
32	43 rue de Paris, Saint Denis, France, 97400
33	5 Donegal Square South, Belfast, Northern Ireland, BT1 5JP
34	52/60 M G Road, Fort, Mumbai, India, 400 001
35	6, rue Adolphe, Luxembourg, L-1116
36	64, rue Galilée, Paris, France, 75008
37	65 Gresham Street, 6th Floor, London, United Kingdom, EC2V 7NQ
38	66 Teryan street, Yerevan, Armenia, 0009
39	8 Canada Square, London, United Kingdom, E14 5HQ
40	80 Mill Street, Qormi, Malta, QRM 3101
41	All Saints Triangle, Caledonian road, London, United Kingdom, N19UT
42	Arnold House St Julians Avenue, St Peter Port, Guernsey, GY1 3NF
43	Breite Str. 29/31, Düsseldorf, Germany, 40213
44	C/O Hackwood Secretaries Limited One Silk Street, London, United Kingdom, EC2Y 8HQ
45	c/o Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands
46	c/o Trident Trust Company Trident Chambers, PO Box 146, Tortola, British Virgin Islands
47	Camden House West The Parade, Birmingham, United Kingdom, B1 3PY
48	Capital Tower, 91 Waterloo Road, London, SE1 8RT, London, United Kingdom
49	Ernst-Schneider-Platz 1, Duesseldorf, Germany, 40212
50	Gartenstrasse 26, Zurich, Switzerland
51	Herrngasse 1-3, Wien, Austria, 1010
52	Hill House 1 Little New Street, London, United Kingdom, EC4A 3TR
53	HSBC Centre Eighteen, Cybercity, Ebene, Mauritius
54	HSBC House Esplanade, St. Helier, Jersey, JE1 1GT
55	HSBC House Esplanade, St. Helier, Jersey, JE1 1HS
56	HSBC House Esplanade, St. Helier, Jersey, JE4 8UB
57	HSBC House Esplanade, St. Helier, Jersey, JE4 8WP
58	HSBC Main Building 1 Queen's Road Central, Hong Kong
59	Immeuble Coeur Défense 110, Esplanade du Général de Gaulle- La défense 4, Courbevoie, France, 92400
60	Jayla Place Wickhams Cay I, PO Box 3190, Road Town, British Virgin Islands
61	Kacyiru BP 3094, Kigali, Rwanda
62	Kings Meadow Chester Business Park, Chester, United Kingdom, CH99 9FB
63	Königsallee 21/23, Düsseldorf, Germany, 40212
64	LR No. 1758/13 Grevella Grove Road, Kalamu House PO Box 47323-00100, Nairobi, Kenya
65	Office Block A, Bay Studios Business Park, Fabian Way, Swansea, SA1 8QB, wales, United Kingdom
66	Plot No. 89-90 Mbezi Industrial Area Box 347, Dar es Salaam City
67	PO Box 513 HSBC House, 68 West Bay Road, George Town, Grand Cayman, Cayman Islands, KY1-1102
68	Precinct Building 4, Level 3 Dubai International Financial Centre, Dubai, United Arab Emirates, PO BOX 506553
69	Regency Court, Glatigny Esplanade, St. Peter Port, Guernsey GY1 1WW
70	Rondo ONZ 1, Warsaw, Poland, 00-124
71	Solidere - Rue Saad Zaghloul Immeuble - 170 Marfaa, PO Box 17 5476 Mar Michael 11042040, Beyrouth, Lebanon
72	St Nicholas House, 10th Floor Catholic Mission St Lagos, Nigeria
73	Yorckstraße 21 - 23 40476, Duesseldorf, Germany