REGISTRATION DOCUMENT DATED 28 JUNE 2022

HSBC UK BANK PLC

(a company incorporated with limited liability in England with registered number 09928412)

This registration document (which expression shall include this document and all documents incorporated by reference herein) ("**Registration Document**") has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of HSBC UK Bank plc (the "**Issuer**") that is the subject of this Registration Document. This Registration Document is valid for a period of twelve months from the date of approval.

This Registration Document includes details of the long-term and short-term credit ratings assigned to the Issuer by S&P Global Ratings UK Limited ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Each of S&P, Moody's and Fitch is established in the UK and registered under Regulation (EU) No. 1060/2009 on credit rating agencies as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, each of S&P, Moody's and Fitch appears on the latest update of the list of registered credit rating agencies (as of the date of this Registration Document) on the UK FCA's Financial Services Register. The ratings each of S&P, Moody's and Fitch has given to the Issuer are endorsed by S&P Global Ratings Europe Limited, Moody's Deutschland GmbH and Fitch Ratings Ireland Limited, respectively, each of which is established in the European Union (the "**EU**") and registered under Regulation (EU) No 1060/2009 on credit rating agencies.

CONTENTS

Page

RISK FACTORS 1
IMPORTANT NOTICES 25
DOCUMENTS INCORPORATED BY REFERENCE 26
THE ISSUER AND ITS SUBSIDIARIES 27
DIRECTORS OF THE ISSUER 30
GENERAL INFORMATION 33

RISK FACTORS

*All references in this section of this Registration Document to "Issuer" refer to HSBC UK Bank plc, all references to the "Group" refer to HSBC UK Bank plc and its subsidiary undertakings, and all references to the "HSBC Group" refer to HSBC Holdings plc ("**HSBC Holdings**") and its subsidiary undertakings.*

*Prospective investors in any debt or derivative securities ("**Securities**") issued by the Issuer should carefully consider risk factors associated with the business of the Group and the industry in which it operates together with all other information contained in this Registration Document, including, in particular, the risk factors referred to in this section, which the Issuer considers to be the principal risk factors relating to the Group that may affect the Issuer's ability to fulfil its obligations under its Securities.*

The risk factors relating to the Group specified in this section "Risk Factors" do not comprise an exhaustive list or explanation of all risks relating to the Group which investors may face when making an investment in Securities issued by the Issuer. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, also may have, individually or cumulatively, a material adverse effect on the business, prospects, results of operations and/or financial position of the Group and, if any such risk should occur, the price of any Securities issued by the Issuer may decline and investors could lose all or part of their investment.

Risks Relating to the Group

A description of the risk factors relating to the Group that may affect the ability of the Issuer to fulfil its obligations to investors in relation to any of its Securities is set out below.

Macroeconomic and geopolitical risk

1. ***Current economic and market conditions may adversely affect the Group's results***

   The Group's earnings are affected by global and local economic and market conditions.

   Uncertain and at times volatile economic conditions can create a challenging operating environment for financial institutions such as the Issuer.

   In particular, the Group has faced and may continue to face the following challenges to its operations and operating model in connection with these factors:

   - increases in the cost of living as a result of, among other things, rising energy costs, interest rate rises, inflation and other similar factors may have an adverse impact on the ability of customers to repay loans;
   - the Russia-Ukraine war and its economic repercussions could result in further, material, increases in commodity prices and inflation, creating challenges for monetary authorities to keep inflation under control. These factors could also adversely affect the financial condition of the Group's customers and lead to higher credit losses for the Group. In addition, there is a risk that significant monetary policy tightening, coupled with the economic effects of the Russia-Ukraine war, including in the form of sanctions, trade restrictions and countermeasures, could precipitate a global recession;
   - market developments may depress consumer and business confidence beyond expected levels. If economic growth is subdued, for example, asset prices and payment patterns may be adversely affected, leading to greater than expected increases in the Group's delinquencies, default rates and expected credit losses ("**ECLs**"). However, if growth is too rapid, new asset valuation bubbles could appear, particularly in the real estate sector, with potentially negative consequences for financial institutions, such as the Issuer;
   - the Covid-19 pandemic and its impact on global economies could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions, such as the Issuer (including those outlined in "*Risks relating to the impact of Covid-19*");

- the retail sales environment, heavily impacted by the Covid-19 pandemic, continues to be uncertain with very low consumer confidence driven primarily by the inflationary environment;

- the demand for borrowing from creditworthy customers may diminish during periods of recession or where economic activity slows or remains subdued; and

- the Group's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption.

The Group's central scenario used to calculate impairment charges, under IFRS9 Financial Instruments ("**IFRS9**"), assumes that economic activity will continue to recover through 2022, surpassing peak pre Covid-19 pandemic levels of gross domestic product ("**GDP**") in the UK. It is assumed that private sector growth accelerates, ensuring a strong recovery is sustained even as Covid-19 pandemic-related fiscal support is withdrawn. However, there is a high degree of uncertainty associated with economic forecasts in the current environment and there are significant risks to the Group's central scenario. The degree of uncertainty is driven by specific trends in the evolution of the Covid-19 pandemic, associated policy responses, ongoing impacts felt from the Trade and Cooperation Agreement in place between the UK and the EU from 1 January 2021 as well as the evolution of other top risks, such as the Russia-Ukraine war. The potential impact of these factors on global economic growth and on the UK economy could result in further sharp falls in financial asset prices.

The macro-economic environment, including the impact of the Covid-19 pandemic, may also have material adverse impacts on capital and liquidity. This may include downward customer credit rating migration, which could negatively impact the Group's RWAs and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that governments and central banks, including the UK government and the Bank of England (the "**BoE**"), have put in place to support funding and liquidity.

The Bank of England's and the UK government's actions and support measures taken in response to the current economic environment and the Covid-19 pandemic may create restrictions in relation to the Group's capital management. These may limit the Group's flexibility in managing the business and taking action in relation to capital distribution and re-allocation.

The occurrence of any of these events or circumstances could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and customers.

2. ***The Group is subject to political, social and other risks***

The Group's operations are subject to potentially unfavourable political, social, environmental and economic developments in the UK and regionally, which may include:

- coups, wars or acts of terrorism;

- political and/or social instability;

- geopolitical tensions;

- climate change, acts of God, including epidemics and pandemics (such as Covid-19, further details on which can be found in "*Risks relating to the impact of Covid-19*") and natural disasters (such as floods and hurricanes); and

- infrastructure issues, such as transportation or power failures.

Each of the above could impact credit risk-weighted assets ("**RWAs**"), and the financial losses caused by any of these risk events or developments could impair asset values and the creditworthiness of customers.

These risk events or developments could also give rise to disruption to the Group's services and some could result in physical damage to its operations and/or risks to the safety of its personnel and customers.

Geopolitical tensions could have significant ramifications for the Group and its customers. In particular:

- Political disagreements between the UK and the EU, notably over the future operation of the Northern Ireland Protocol (the "**Protocol**"), has stalled the creation of a framework for voluntary regulatory cooperation in financial services following the UK's withdrawal from the EU. While negotiations are continuing, it is unclear whether or when an agreement will be reached. In June 2022, the UK government published proposed legislation which seeks to amend the Protocol in a number of respects. The terms of such proposal may be subject to legal challenge by the EU and any such dispute, together with any retaliatory action that the EU may take, could further complicate the terms of trade between the UK and the EU and potentially preventing progress in other areas such as financial services. See "*The UK's trading relationship with the EU, following the UK's withdrawal from the EU, may adversely affect the Group's operating model and financial results*".

- The Russian invasion of Ukraine has led to elevated geopolitical tensions and resulted in countries, particularly the United States of America (the "**US**"), the United Kingdom (the "**UK**") and the European Union (the "**EU**"), as well as other countries, imposing significant sanctions and other trade restrictions against the Russian state, numerous Russian government officials and individuals, and Russian companies and financial institutions. Some of these sanctions are unprecedented in both their nature and scope. Russia has implemented certain countermeasures in response. The Group is monitoring the direct and indirect impacts of the situation on the Group, and using its sanctions compliance capabilities to respond to the new sanctions regulations. The challenges that arise in implementing the complex, novel and ambiguous aspects of certain sanctions could create additional regulatory compliance and reputational risks for the Group. There could be an increase in the Group's ECLs reflecting the direct and broader economic impacts of the Russia-Ukraine war and inflationary pressures on the forward economic outlook.

- Global commodity markets have been significantly impacted, leading to supply chain disruptions and increased prices for both energy and raw materials. The continuation of, or any further escalation in the Russia-Ukraine war could have additional economic, social and political repercussions. These include further sanctions and trade restrictions, longer term changes in the macro-economic environment with the risk of higher and sustained inflation, and a continued increase in energy prices, impacting confidence in the UK economy through both reduced levels of consumer demand and corporate investment.

The occurrence of any of these events or circumstances could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3. ***The Group is likely to be affected by global geopolitical trends, including the risk of government intervention***

While economic globalisation appears to remain deeply embedded in the international system, it is increasingly challenged by nationalism and protectionism, and international institutions may be less capable of navigating this trend. In Europe, for example, there remains an uncertain economic and political outlook, particularly in light of the UK's exit from the EU and the end of the transition period (see "*The UK's trading relationship with the EU, following the UK's withdrawal from the EU, may adversely affect the Group's operating model and financial results"*). The increased geopolitical risks arising from the Russia-Ukraine war are impacting the global economy, in particular by pushing up energy and oil prices and increasing inflation further, creating additional challenges for monetary authorities and its customers. A dispersion of global economic power from the US and Europe towards China and emerging markets appears to be occurring, providing a backdrop for greater US-China competition. Being part of the wider HSBC Group, the Group may be adversely affected by increased geopolitical tensions across the different jurisdictions in which

the HSBC Group operates and any broader economic pressures that the HSBC Group or parts of the HSBC Group may face.

A rise in nationalism and protectionism, including trade barriers, may be driven by populist sentiment and structural challenges facing developed and developing economies. Similarly, if capital flows are disrupted, some emerging markets may impose protectionist measures that could affect financial institutions and their clients, and other emerging, as well as developed, markets, may be tempted to follow suit. This rise could contribute to weaker global trade, potentially affecting the HSBC Group's traditional lines of business.

The HSBC Group's geographic footprint and coverage will make it and its customers susceptible to protectionist measures taken by national governments and authorities, including imposition of trade tariffs, restrictions on market access, restrictions on the ability to transact on a cross-border basis, expropriation, restrictions on international ownership, interest rate caps, limits on dividend flows and increases in taxation.

There may be uncertainty as to the conflicting nature of such measures, their duration, the potential for escalation, and their potential impact on global economies. Whether these emerging trends are cyclical or permanent is hard to determine, and their causes are likely to be difficult to address. The occurrence of any of these events or circumstances could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

4. ***Risks relating to the impact of Covid-19***

The Covid-19 pandemic and its effect on the global economy have continued to impact the Group's customers and organisation, and the future effects of the pandemic remain uncertain.

Covid-19 necessitated governments, including the UK government, to respond at unprecedented levels to protect public health, and to support local economies and livelihoods. It has affected regions at different times and to varying degrees as it has developed. The resulting government support measures and restrictions have created additional challenges, given the rapid pace of change and significant operational demands.

Despite the successful roll-out of vaccines in the UK, the Covid-19 pandemic and its effect on the global economy have impacted the Group's customers and its performance. Renewed outbreaks and new Covid-19 variants, including the emergence of the Omicron variant, which proved to be more contagious and able, to a certain extent, to evade vaccine immunity, demonstrated the risk that new variants pose and led to government restrictions being temporarily reintroduced. There remains a divergence in approach taken by countries with regards to the level of restrictions on activity and travel imposed in response to the pandemic. Such diverging approach to future pandemic waves could prolong or worsen supply chain and international travel disruptions. Mismatches between the supply and demand of goods and services contributed to a rise in inflation in 2021 and the first half of 2022. The Bank of England (the "**BoE**") and other central banks in major markets have gradually increased interest rates in 2021 and during the first half of 2022, and are expected to further increase interest rates during the remainder of 2022. Such increases are expected to be gradual and monetary policy is expected to remain accommodative overall. The UK government is also expected to reduce the level of fiscal support it offers households and businesses as the appetite for lockdowns and public health restrictions decreases. The UK government debt has risen and is expected to remain high into the medium term. High government debt burdens have raised fiscal vulnerabilities, increasing the sensitivity of debt service costs to interest rate increases and potentially reducing the fiscal space available to address any future economic downturns.

Depending on the time taken for economic activity to recover, there could be further adverse impacts on the Group's income due to lower lending and transaction volumes.

The rapid introduction and varying nature of the UK government support schemes introduced throughout the Covid-19 pandemic led to increased operational risks, including complex conduct considerations, increased reputational risk and increased risk of fraud. These risks could crystallise over time including as and when those UK government support schemes are fully unwound. These events have also led to increased litigation risk for the Group.

The impact of the pandemic on the long-term prospects of businesses in the most vulnerable sectors of the economy – such as retail, the leisure industry (including hospitality, tourism and hotels), transportation and commercial real estate, – remains uncertain and may lead to credit losses on specific exposures, which may not be fully captured in ECL estimates. In addition, in times of stress, fraudulent activity is often more prevalent, leading to potentially material credit or operational losses.

Although model outputs and management adjustments are closely monitored and independently reviewed for reliability and appropriateness prior to inclusion in the financial results, as economic conditions improve, and the UK government support measures are phased out, there is a risk that the outputs of the Group's IFRS9 financial models may underestimate loan losses (see "*The Group could incur losses or be required to hold additional capital as a result of model limitations or failure*").

As a result of the Covid-19 pandemic and the restrictions imposed, a significant proportion of the Group's workforce were enabled to work remotely and continue to do so. While the Group has put in place effective remote working arrangements, its operational resilience is exposed to potential failures affecting its remote working technology and systems. The operational support functions on which the Group relies are based in a number of countries worldwide, some of which were particularly affected by the Covid-19 pandemic during 2021. The Group continues to monitor the situation, in particular in those countries and regions where Covid-19 infections are most prevalent and/or where travel restrictions are in place.

Moreover, the Group has financial instruments which are carried at fair value, and such fair values may be impacted by the market volatility resulting from the Covid-19 pandemic. This would in turn affect the market value of such instruments and could result in markdowns on such instruments and an increase in the size of fair value adjustments.

Despite the ongoing economic recovery, significant uncertainties remain in assessing the duration and impact of the Covid-19 pandemic, including where UK government restrictions are re-imposed as a result of further outbreaks of the virus, in particular those outbreaks which result from the emergence of new variants. There is a risk that economic activity remains below pre-pandemic levels for a prolonged period and this could have a material adverse effect on the Group's financial condition, results of operations, prospects, liquidity, capital position and credit ratings.

5. ***The UK's trading relationship with the EU, following the UK's withdrawal from the EU, may adversely affect the Group's operating model and financial results***

The EU and the UK agreed a Trade and Cooperation Agreement on 31 December 2020, following the UK's withdrawal from the EU. The agreement mainly focused on goods and services but also covered a wide range of other areas, including competition, state aid, tax, fisheries, transport, data and security. While the agreement only addressed financial services in a limited manner, bilateral discussions have now concluded at a technical level to create a framework for voluntary regulatory cooperation in financial services between the UK and EU through the establishment of a Joint UK-EU Financial Regulatory Forum. This is expected to provide a platform within which both parties will be able to discuss financial services-related issues, including future equivalence determinations.

Broader political disagreements, notably over the future operation of the Protocol, have, however, increased tensions in the UK-EU relationship. While negotiations relating to the Protocol between the UK and the EU are continuing, it remains uncertain whether an agreement will be reached. In June 2022, the UK government published proposed legislation which seeks to amend the Protocol in a number of respects. The terms of such proposal may be subject to legal challenge by the EU and any such dispute, together with any retaliatory action that the EU may take, could further complicate the terms of trade between the UK and the EU and potentially preventing progress in other areas such as financial services.

More generally, over the medium to long term, the UK's withdrawal from the EU and the operation of the Trade and Cooperation Agreement (and any complexities that may result therefrom), may impact markets and increase economic risk, particularly in the UK, which could adversely impact the Group's profitability and prospects for growth.

In addition, the UK's future trading relationship with the EU and the rest of the world will likely take a number of years to fully resolve. This may result in a prolonged period of uncertainty, unstable economic conditions and market volatility. This could include reduced international trade flows and loss of export market shares, as well as currency fluctuations.

6. ***The Group is subject to financial and non-financial risks associated with Environmental, Social and Governance ('ESG') related matters, such as climate change, nature- related and human rights issues***

ESG-related matters such as climate change, society's impact on nature and human rights violations introduce risks to the Group's business, customers and wider society.

Climate change, through transitional and physical channels, could have both financial and non-financial impacts on the Group either directly or indirectly through its customers. Transition risk can arise from the move to a low-carbon economy, such as through policy, regulatory and technological changes. Physical risk can arise through increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding.

The Group currently expects that the following are the most likely ways in which climate risk may materialise for the Group:

- transition and physical risk may impact the Group's customers, for example if regulatory, legislative or technological developments impact client business models resulting in financial difficulties for customers and/or stranded assets;
- residential real estate may be affected by changes to the climate and extreme weather events which could impact both property values, potentially resulting in the asset being unsaleable, and the ability of borrowers to afford their mortgage payments;
- physical risk may also impact the Group's operations, for example if flooding or extreme weather events impact critical operations or result in service outages;
- regulatory compliance risk may result from the increasing pace, breadth and depth of regulatory expectations requiring implementation in short timeframes;
- conduct risks could arise with the increasing demand and development of "green" products, due to differing and developing standards or taxonomies, as well as how products are sold and marketed; and
- reputational risks may result from the Group's approach to supporting customers in high-emitting sectors (e.g. oil and gas sector), in order to achieve the HSBC Group's climate-related ambitions, targets and commitments.

The Group also faces increased reputational, legal and regulatory scrutiny as it progresses towards its net zero ambitions, with stakeholders likely to place greater focus on the Group's actions, such as the development of climate-related policies, the HSBC Group's disclosures, and both financing and investment decisions to achieve net zero.

In addition, there is increasing evidence that nature-related risks which represent an economic dependency on nature can and will have significant impacts. These risks arise when the provision of natural services including water availability, air quality, and soil quality, is compromised by overpopulation, urban development, natural habitat or ecosystem loss. They can manifest in a variety of ways, including through macroeconomic, market, credit, reputational, legal and regulatory risks, for both the Group and its customers.

The key human rights risks that currently impact the Group include discrimination, in particular with respect to the Group's employees and customers, and modern slavery in the Group's supply chains and those of the Group's customers. Failure to manage these risks may result in negative impacts on the Group's people (both in terms of hiring and retention), business and reputation. Such failure could also lead to breaches of rapidly evolving legal and regulatory requirements and expectations resulting in reputational, legal and financial consequences.

In respect of all ESG-related risks, the Group also needs to ensure that its strategy and business model, including the products and services it provides to customers and non-financial risk management processes (such as processes to measure and manage the various financial and non-financial risks the Group faces as a result of ESG-related matters) adapt to meet regulatory requirements and stakeholder and market expectations, which continue to evolve significantly at pace. The Group's ability to assist the HSBC Group in achieving its strategy with respect to ESG matters, including any ESG-related ambitions, commitments and targets that it may set, will depend on a number of different factors outside of the Group's control, such as advancements in technologies and supportive public policies in the UK. If these external factors and other changes do not occur, or do not occur on a timely basis, the Group may fail to assist the HSBC Group in achieving its ESG-related ambitions, commitments and targets.

In order to track and report on the HSBC Group's progress against its ESG-related ambitions, commitments and targets, the HSBC Group relies on internal and, where appropriate and available, external data sources, guided by certain industry standards. While ESG-related reporting has improved over time, data remains of limited quality and consistency. Methodologies the HSBC Group has used are expected to develop over time in line with market practice, regulation and/or developments in science, where applicable. Any such developments in methodologies, and changes in the availability and quality of data could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year. This could also result in the HSBC Group having to re-evaluate its progress towards its ESG-related ambitions, commitments and targets in the future, resulting in reputational, legal and regulatory risks.

If any of the above risks materialise, this could have financial and non-financial impacts for the Group which could, in turn, have a material adverse effect on its business, financial condition, results of operations, reputation, prospects and strategy.

7. ***The Group operates in markets that are highly competitive***

The Group competes with other financial institutions in a highly competitive industry that continues to undergo significant change as a result of financial regulatory reform, including the Directive (EU) 2015/2366 (the EU's Second Payment Services Directive) ("**PSD2**") and its implementation in the UK, and the Competition and Markets Authority's directions on Open Banking ("**Open Banking**") in the UK, as well as increased public scrutiny and a continued challenging macro-economic environment.

The Group targets clients based on their outlook and attitudes towards financial health. The Group generally competes on the basis of the quality of its customer service, the wide variety of products and services that the Group can offer its customers; the ability of those products and services to satisfy its customers' needs; the extensive distribution channels available for its customers; its innovation; and its reputation. Continued and increased competition in any one or all of these areas may negatively affect the Group's market share and/or cause it to increase its capital investment in its businesses in order to remain competitive. Additionally, the Group's products and services may not be accepted by its targeted clients.

In many markets, there is increased competitive pressure to provide products and services at current or lower prices.

Consequently, the Group's ability to reposition or reprice its products and services from time to time may be limited, and could be influenced significantly by the actions of its competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that the Group offers its customers, and/or the pricing for those products and services, could result in a loss of customers and market share.

Further, new entrants to the market or new technologies challenge the Group to continue to innovate and optimise to take advantage of new digital capabilities to best serve its customers, and adapt its products to attract and retain customers. The Group may not respond effectively to these competitive threats from existing and new competitors, and as a result may need to increase its investment in its business to modify or adapt its existing products and services or develop new products and services to respond to its customers' needs.

Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

8. ***Market fluctuations may reduce the Group's income or the value of its portfolios***

The Group's businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices, and the risk that the Group's customers act in a manner inconsistent with its business, pricing and hedging assumptions.

Market pricing can be volatile, and ongoing market movements could significantly affect the Group in a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. Changes in interest rate levels, interbank spreads over official rates and yield curves affect the interest rate spread realised between lending and borrowing costs. For example, a change in the interest rate environment could affect prepayment activity and this could change the weighted average lives of the Group's interest - earning assets, which could in turn have a material adverse effect on the Group's income. Further, changes in interest rates and credit spreads could impact the value of Group's investment portfolios. For example, changes in interest rates could have an adverse impact on the value of the Group's portfolio of financial investments measured at fair value through other comprehensive income, which are classified as hold-to-collect-and-sell. Any changes in the value of such instruments is recognised in the Group's equity and this could, therefore, have an impact on the Group's capital position. The potential for future volatility and margin changes remains. See "*Risks relating to the impact of Covid-19*" above regarding the impact of Covid-19 on the interest rate environment and "*The Group is subject to political, social and other risks*" above regarding the impact of the Russia-Ukraine war.

Competitive pressures on fixed rates or product terms in existing customer products sometimes restrict the Group's ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

The Group's pension plan is exposed to market risk from its assets and liabilities. The liability discount rate provides exposure to interest rate risk, credit spread risk and inflation risk which are only partially offset by fixed interest assets and swaps.

It is difficult to predict with any degree of accuracy changes in market conditions, and such changes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

9. ***Liquidity, or ready access to funds, is essential to the Group's businesses***

The Group's ability to borrow on a secured or unsecured basis, and the cost of doing so, can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to the Group or the banking sector, including the Group's perceived or actual creditworthiness.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Group's funding, and the Group places considerable importance on maintaining their stability. For deposits, stability depends upon preserving investor confidence in the Group's capital strength and liquidity, and on comparable and transparent pricing. Although deposits have been a stable source of funding historically, this may not continue.

The Group also plans to increase its access to wholesale markets in order to maintain a diversified portfolio of funding sources, provide funding for entities that do not accept deposits, to align asset and liability maturities and currencies, and to maintain a presence in the local market.

An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have an adverse effect on the Group's liquidity.

Unfavourable macroeconomic developments, market disruptions or regulatory developments may increase the Group's funding costs or challenge the Group's ability to raise funds to support or expand the Group's businesses.

If the Group is unable to raise sufficient funds through deposits and/or in the capital markets, the Group's liquidity position could be adversely affected, and the Group might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature, to meet the Group's obligations under committed financing facilities or to fund new loans, investments and businesses.

The Group may need to liquidate unencumbered assets to meet its liabilities, including disposals of assets to reduce its funding commitments. In a time of reduced liquidity, the Group may be unable to sell some of its assets, or may be unable to maintain the run-down and sale of certain legacy portfolios, or the Group may need to sell assets at reduced prices, which in any such case could materially adversely affect the Group's business, financial condition, results of operations and prospects.

10. ***A potential departure of Scotland from the UK could adversely affect the Group's operations***

A potential departure of Scotland from the UK could adversely affect the Group's operations in the UK, including Scotland. These operations could be adversely affected by a lack of legal harmonisation across the UK, including through the further devolution of powers to the Scottish Parliament. For example, differences in regulatory regimes or differing tax legislation between Scotland and England may result in additional compliance and other costs for the Group or adversely impact the financial performance and prospects of its customers.

The UK's exit from the EU and the political response to Covid-19 have also caused increased constitutional tension within the UK. The majority of voters in the May 2021 Scottish Parliament elections voted for parties campaigning for Scottish independence and the First Minister of Scotland as part of this election campaign committed to seek a second referendum on Scottish independence. If such a referendum resulted in Scotland leaving the UK, this could impact the Group's business and financial performance.

Moreover, a future departure of Scotland from the UK could impact the fiscal, monetary and regulatory landscape to which the Group is subject. While the operational consequences of independence remain uncertain, it could have an adverse effect on the Group's business, prospects and results of operations as a result of, for instance, (i) changes to the economic climate in Scotland and political and policy developments, (ii) changes to Scottish law, regulation accounting or administrative practice in Scotland, and/or (iii) Scotland not continuing to use pounds sterling as its base currency. Risks and uncertainties associated with a departure of Scotland from the UK could materialise both before any referendum for independence takes place and, in addition, in the case of a vote for independence, after the referendum but before independence. The final negotiated terms of independence, as well as the risks and uncertainty created, could have an adverse impact on the Group's business and financial performance more generally.

Macro-prudential, regulatory and legal risks to the Group's business model

11. ***The Group is subject to numerous legislative or regulatory requirements and developments and changes in the policy of regulators or governments and the Group may fail to comply with applicable regulations, particularly any changes thereto***

The Group's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the EU. Many regulatory changes relevant to the Group's business may have an effect beyond the country in which they are enacted, as regulators deliberately enact regulation with extra-territorial impact.

In recent years, regulators in the UK and EU have focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services is conducted, including Open Banking, the Financial Conduct Authority's ("**FCA**") call for input on Open Finance and resulting feedback statement, the FCA's "Retail Distribution Review", "Mortgage Market Review", and reforms to the way banks, including the Group, charge for overdrafts as part of its "High-Cost Credit Review", which are now in force. In addition, the UK Financial Services Act 2021 introduced requirements for the FCA to conduct a public consultation about whether it should impose a duty of care to consumers on regulated firms, to publish its

analysis of the outcome of such consultation before 1 January 2022, and to make general rules about the level of care that regulated firms must provide to consumers, or particular classes of consumers, before 1 August 2022. Pursuant to the requirements of the UK Financial Services Act 2021, on 14 May 2021, the FCA published a consultation paper (CP 21/13) which sets out proposals to expand its existing rules and principles to ensure firms provide a higher level of protection to retail consumers via a new "Consumer Principle" that provides an overarching standard of conduct, and a set of "Cross-cutting Rules" and "Outcomes" which support the Consumer Principle (together, the "**Consumer Duty**"). On 7 December 2021, the FCA published a further consultation on a new Consumer Duty, including feedback to CP21/13. A policy statement summarising responses and making any new rules is expected to be published by 31 July 2022.

Specific areas where regulatory changes could have a material effect on the Group's business, financial condition, results of operations, prospects, capital position, and reputation and current and anticipated areas of particular focus for the Group's regulators include, but are not limited to, those discussed in "*Risks relating to the impact of Covid-19*", "*The UK's trading relationship with the EU, following the UK's withdrawal from the EU, may adversely affect the Group's operating model and financial results*", "*The Group is subject to financial and non-financial risks associated with Environmental, Social and Governance ('ESG') related matters, such as climate change, nature- related and human rights issues*", "*The Group may not manage risks associated with the replacement of benchmark rates and indices effectively*", "*The Securities and the Issuer will be subject to certain bank resolution powers under the Banking Act*", "*The Group may be subject to increased regulation regarding culture and accountability*", "*The Group's data management and data privacy controls must be sufficiently robust to support the increasing data volumes and evolving regulations*", "*The Group could incur losses or be required to hold additional capital as a result of model limitations or failure*" and "*The Group is subject to the risk of current and future legal, regulatory or administrative actions and investigations, the outcomes of which are inherently difficult to predict*", as well as:

- the ongoing regulatory response to the Covid-19 pandemic, and its implications for banks credit risk management and provisioning processes, capital adequacy and liquidity, and a renewed focus on vulnerable customers including the treatment of customers including consideration of longer-term initiatives to support borrowers in financial difficulty and measures designed to maximise access to cash for consumers;

- general changes in government, central bank, regulatory or competition policy, or changes in regulatory regimes that may influence investor decisions. For example, the UK Financial Policy Committee ("**FPC**") has the ability to require UK financial institutions to hold additional capital for lending to sectors perceived as higher risk and to increase the amount of capital that financial institutions are required to hold when threats to financial stability are judged to be emerging;

- the potential for developments in, and the consequences for breaches of, the Financial Services (Banking Reform) Act 2013, which requires (amongst other matters) the legal separation of core deposits from wholesale and investment banking activities ("**ring-fencing**"). The independent panel appointed by HM Treasury to review the UK regime for ring-fencing and proprietary trading during 2021 published its recommendations on 15 March 2022, which concluded that the scope of the ring-fencing regime should be changed to focus on large, complex financial institutions, and included suggestions to align the ring-fencing regime with the resolution regime, which may result in proposed legislative amendments to the regime in the coming years;

- the implementation of more stringent capital, liquidity and funding requirements, including changes to internal ratings-based modelling requirements and as the result of industry wide reviews e.g. structural foreign exchange risk;

- a continuing interest in financial services activities by competition authorities at the UK and European level when enforcing laws against anticompetitive practices (in the UK, the FCA and the Payment Systems Regulator are competition law enforcers). This is also being accompanied by a rise in private damages litigation relating to alleged competition law infringements;

- restrictions on the structure of remuneration and increasing requirements to detail management accountability within the Group (for example, the requirements of the Senior Managers and Certification Regime in the UK);

- reviews of regulatory frameworks applicable to the wholesale financial markets, including reforms and other changes to conduct of business, listing, securitisation and derivatives related requirements;

- the focus globally on technology, underpinned by customer protection, including the use of artificial intelligence and digital assets (data, identity and disclosures), financial technology risks, operational resilience, virtual currencies (including central bank digital currencies and global stablecoin) and cybersecurity. This also includes the introduction of new and/or enhanced standards in these areas;

- financial crime and market abuse standards and increasing expectations for control frameworks, to ensure firms are adapting to new threats such as those arising from the Covid 19 pandemic, and are protecting customers from cyber enabled crime;

- the increased supervisory expectations arising from expanding and increasingly complex regulatory reporting obligations, including expectations on data integrity and associated governance and controls, as evidenced in regulatory fines imposed against other financial institutions. The Group has commissioned a number of independent external reviews of its regulatory reporting processes and controls, some at the request of its regulators, including one of its credit risk RWA reporting process which is currently ongoing;

- the Basel Committee on Banking Supervision ("**Basel**") agreed the final form of the reforms to strengthen global capital and liquidity rules (the "**Basel III Reforms**") in December 2017. The final standards will need to be transposed into the relevant local law before coming into effect. The first tranche of changes reflecting the Basel III Reforms was implemented in the UK on 1 January 2022, including revisions to the standardised approach for measuring counterparty risk, changes to the equity investments in funds rules, amendments to the large exposures rules, the new leverage ratio rules and the implementation of the net stable funding ratio. The remaining reforms are scheduled for implementation by Basel on 1 January 2023. These include the changes to the RWA rules on credit risk, market risk, operational risk and credit valuation adjustments, and the implementation of an RWA floor based upon the standardised approach. Given the PRA is not expected to consult on these other elements until the second half of 2022, this increases the likelihood that the UK's implementation will be delayed;

- changes in national or supra-national requirements regarding the ability to offshore or outsource the provision of services and resources or transfer material risk to financial services companies located in other countries, which impact the Group's ability to implement consistent and efficient operating models;

- increasing regulatory expectations and requirements relating to operational resilience, including an increasing focus on the response of institutions to operational disruptions; and

- continuing regulatory focus on the effectiveness of internal controls and risk management frameworks, as evidenced in regulatory fines and other measures imposed against other financial institutions.

12. ***The Group may not manage risks associated with the replacement of benchmark rates and indices effectively***

Key benchmark rates and indices, including interbank offered rates ("**Ibors**") such as the London interbank offered rate ("**Libor**") have been the subject of national, international and other regulatory scrutiny and reform for a number of years. This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of replacement near risk free rates ("**RFRs**") and the proposed discontinuation of certain reference rates (including Libor). In May 2019, the European Money Markets Institute ("**EMMI**") announced the cessation

of the Euro Overnight Index average ("**Eonia**") from the end of 2021 and, in March 2021, ICE Benchmark Administration Limited ('IBA') announced that it would cease publication of (i) all sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2- month US dollar Libor settings immediately after 31 December 2021 and (ii) the remaining US dollar Libor settings immediately after 30 June 2023. The FCA subsequently used its regulatory powers to compel IBA to publish a number of sterling and Japanese Yen Libor settings on an alternative methodology basis (so-called "**synthetic Libor**") from 1 January 2022 for an undetermined period of time.

The discontinuation of sterling, Swiss franc, Euro and Japanese Yen Libor interest rates, and Eonia has occurred with the adoption of respective replacement near risk-free rates ("**RFRs**"). The continued existence of legacy contracts in benchmark rates that demised from the end of 2021, so called 'tough legacy,' and legacy contracts referencing other Ibors that are expected to demise at a later date, notably a number of US dollar Libor settings, results in a number of risks for the Group, its clients, and the financial services industry more widely. These include, but are not limited to:

- regulatory compliance, legal and conduct risks, that arise from the transition of legacy contracts to RFRs or alternative rates and from the sales of products referencing RFRs, could lead to unintended or unfavourable outcomes for clients and market participants. These risks could be heightened if the Group's sales processes and procedures are not appropriately adapted or executed to detail the risks and complexity of the RFR market conventions;

- legal risks are associated with legacy contracts that the Group is unable to appropriately transition and legacy contracts that rely on the use of legislative solutions, such as 'synthetic' Libor. If the Group is unable to appropriately transition legacy contracts this could lead to reliance on fallback provisions which do not contemplate the permanent cessation of the relevant Ibor, and there is a risk that these fallback provisions do not work from a contractual, practical or financial perspective, potentially resulting in unintended outcomes for clients. While legislative solutions are (in some circumstances) expected to assist market participants with transitioning contracts or mitigating risks associated with 'tough legacy' contracts, there remains some uncertainty around the operation and implementation of such solutions as well as their longevity. For legacy contracts that utilise 'synthetic' Libor there is a risk that the Group is unable to transition such contracts to a new RFR or alternative rate before the relevant 'synthetic' Libor is discontinued. This could lead to reliance on the above mentioned fallback provisions, which do not contemplate permanent cessation of Libor. Each of these issues could result in unintended or unfavourable outcomes for clients and market participants and this could potentially increase the risk of disputes;

- resilience and operational risks, resulting from 'tough legacy' and other legacy Ibor contracts that are expected to be transitioned to RFRs and alternative rates. In particular, there is a risk that the Group's systems, processes and controls have not been appropriately adapted to account for new RFR methodology changes or fallback provisions, leading to complaints and disputes.

- financial risks result from the discontinuation of US dollar Libor and the development of liquidity in its replacement RFR, Secured Overnight Funding rate ('SOFR'). Differences in US dollar Libor and SOFR interest rate levels create a basis risk in the banking book due to asymmetric adoption of SOFR across assets, liabilities and products that the Group needs to actively manage through appropriate financial hedging. There are also financial reporting and tax risks, relating to potential mis-statements that continue to exist due to the complexity in applying accounting reliefs relating to amendments of legacy contracts. An increased amount of loan contracts that could meet de-recognition criteria could increase the burden on business as usual processes, and monitoring. Additionally, for cleared derivatives the mechanisms used by clearing houses to transition trades could result in additional complexity to identify true contracts for financial reporting.

If any of these risks materialises, this could have a material adverse effect on the Group's business, financial condition, capital position, results of operations, prospects and customers.

13. ***The Group is subject to the risk of current and future legal, regulatory or administrative actions and investigations, the outcomes of which are inherently difficult to predict***

The Group faces significant risks in its business relating to legal, regulatory or administrative actions and investigations. The volume and complexity of litigation, regulatory proceedings, investigations, administrative actions and other adversarial proceedings against financial institutions remain high and the amount of damages claimed are increasing for many reasons, including a substantial increase in the number of regulatory changes taking place globally, increasing focus from regulators, investors and other stakeholders on ESG disclosures, including in relation to the measurement and reporting of such matters as both local and international standards in this area continue to significantly evolve and develop, increased media attention and higher expectations from regulators and the public. In addition, criminal prosecutions of financial institutions for, among other things, alleged conduct breaches, breaches of anti-money laundering ("**AML**"), anti-bribery/corruption, and sanctions and counter-terrorist financing regulations, antitrust violations, market manipulation, and aiding and abetting tax evasion, have become more commonplace and may increase in frequency due to increased media attention and higher expectations from prosecutors and the public.

Any such legal, regulatory or administrative action or investigation against the Group or one or more of its subsidiaries could result in, among other things, substantial fines, civil penalties, criminal penalties, cease and desist orders, forfeitures, the suspension or revocation of key licences, requirements to exit certain businesses, other disciplinary actions and/or withdrawal of funding from depositors and other stakeholders. Any threatened or actual litigation, regulatory proceeding, administrative action, investigation or other adversarial proceeding against the Group or one or more of its subsidiaries could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation. Additionally, the Group's financial statements reflect provisioning for legal proceedings, regulatory and customer remediation matters. Provisions for legal proceedings, regulatory and customer remediation matters, such as, for example, the customer redress programme related to and any legal claims resulting from the mis-selling of payment protection insurance policies, typically require a higher degree of judgement than other types of provisions, and the actual costs resulting from such proceedings and matters may exceed existing provisioning.

Additionally, the Group and its subsidiaries continue to be subject to a number of material legal proceedings, regulatory actions and investigations, a number of which are described in Note 26 ("**Legal proceedings and regulatory matters**") on pages 114 to 117 in HSBC UK Bank plc's 2021 Annual Report and Accounts, the outcomes of which are inherently difficult to predict, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Moreover, the Group may face additional legal proceedings, investigations or regulatory actions in the future, including in other jurisdictions and/or with respect to matters similar to, or broader than, the existing legal proceedings, investigations or regulatory actions, such as any disputes resulting from the global market volatility associated with the Covid-19 pandemic. An unfavourable result in one or more of these proceedings could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

14. ***The Group may fail to meet the requirements of regulatory stress tests***

The Group is subject to regulatory stress testing, which is described under "Risk – Risk Appetite – Stress testing" on page 18 in HSBC UK Bank plc's 2021 Annual Report and Accounts. These exercises are designed to assess the resilience of financial institutions to potential adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's data provision, stress testing capability and internal management processes and controls.

Failure to meet quantitative or qualitative requirements of regulatory stress test programmes, or the failure by regulators to approve the Group's stress test results and capital plans, could result in the Group being required to enhance its capital position and/or position additional capital in specific subsidiaries, and this could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations, prospects, capital position and reputation.

15. ***The Securities and the Issuer will be subject to certain bank resolution powers under the Banking Act***

Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, supplemented or replaced from time to time, the "**BRRD**") provides an EU-wide framework for the recovery and resolution of credit institutions and their parent companies and other group companies. The BRRD is designed to provide relevant authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. In the UK, the Banking Act 2009, as amended (the "**Banking Act**"), has implemented the majority of the provisions of the BRRD, and was recently amended by, amongst other statutory instruments, The Bank Recovery and Resolution (Amendments) (EU Exit) Regulations 2020, which implement into UK law certain of the recent amendments to BRRD which were required to be implemented prior to IP completion day (as defined in the European Union (Withdrawal Agreement) Act 2020).

a. *Statutory intervention powers*

The Issuer is subject to the Banking Act, which gives wide powers in respect of UK financial institutions and their parent and other group companies to HM Treasury, the BoE, the PRA and/or the FCA (each a relevant UK resolution authority ("**relevant UKRA**")) in circumstances where a UK bank has encountered or is likely to encounter financial difficulties. These powers include powers to: (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include Securities issued by the Issuer), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the BoE; (b) override any default provisions, contracts, or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain insolvency procedures in relation to a UK bank; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a UK bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the UK bank to operate effectively. The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

b. *Write-down and conversion of capital instruments and liabilities powers and/or bail-in powers*

The powers granted to the relevant UKRA also include powers to vary or extinguish the claims of certain creditors. These powers include a "write-down and conversion of capital instruments and liabilities" power and a "bail-in" power.

The write-down and conversion of capital instruments and liabilities power may be used where the relevant UKRA has determined that the institution concerned has reached the point of non-viability, but that no bail-in of instruments other than capital instruments or (where the institution concerned is not a resolution entity) certain internal non-own funds liabilities ("**relevant internal liabilities**") is required (however the use of the write-down and conversion power does not preclude a subsequent use of the bail-in power) or where the conditions to resolution are met. Any write-down or conversion effected using this power must be carried out in a specific order such that common equity must be written off, cancelled or appropriated from the existing shareholders in full before additional tier 1 instruments are affected and additional tier 1 instruments must be written off or converted in full before tier 2 instruments are affected and (in the case of a non-resolution entity, such as the Issuer) tier 2 instruments must be written off or converted in full before relevant internal liabilities are affected. Where the write-down and conversion of capital instruments and liabilities power is used, the write-down is permanent and investors receive no compensation (save that common equity tier 1 ("**CET1**") instruments may be required to be issued to holders of written-down instruments). The write-down and

conversion of capital instruments and liabilities power is not subject to the "no creditor worse off" safeguard (unlike the bail-in power described below).

The bail-in power gives the relevant UKRA the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include any unsecured Securities) of a failing financial institution or its holding company, to convert certain debt claims (which could be amounts payable under any unsecured Securities) into another security, including ordinary shares of the surviving entity or its holding company, if any and/or to amend or alter the terms of such claims, including the maturity of the Issuer's unsecured Securities or amendment of the amount of interest payable on the unsecured Securities, or the date on which interest becomes payable, including by suspending payment for a temporary period. The Banking Act requires the relevant UKRA to apply the bail-in power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the relevant UKRA must write-down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) certain senior claims. The claims of some creditors whose claims would rank equally with those of unsecured Securityholders may be excluded from bail-in. The more of such creditors there are, the greater will be the impact of bail-in on such Securityholders. The bail-in power is subject to the "no creditor worse off" safeguard, under which any shareholder or creditor which receives less favourable treatment in resolution than they would have had if the institution entered into insolvency may be entitled to compensation.

Although the exercise of the bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of the Group or not directly related to the Group) which the relevant UKRA would consider in deciding whether to exercise such power with respect to the Issuer and its securities (including any unsecured Securities). Moreover, as the relevant UKRA may have considerable discretion in relation to how and when it may exercise such power, holders of the Issuer's securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on the Issuer and its securities.

c. *Powers to direct restructuring of the Group*

As well as a write-down and conversion of capital instruments and liabilities power and a bail-in power, the powers of the relevant UKRA under the Banking Act include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). In addition, the Banking Act gives the relevant UKRA power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinuing the listing and admission to trading of debt instruments.

The exercise by the relevant UKRA of any of the above powers under the Banking Act may limit the Issuer's capacity to meet its repayment obligation under the Securities and the exercise of any such powers (including especially the bail-in power) could lead to the holders of the Securities losing some or all of their investment.

Moreover, trading behaviour in relation to the securities of the Issuer, including market prices and volatility, may be affected by the use of, or any suggestion of the use of, these powers and accordingly, in such circumstances, the Securities are not necessarily expected to follow the trading behaviour associated with other types of securities. There can be no assurance that the taking of any actions under the Banking Act by the relevant UKRA or the manner in which its powers under the Banking Act are exercised will not materially

adversely affect the rights of holders of the Securities, the market value of an investment in the Securities and/or the Issuer's ability to satisfy its obligations under the Securities.

Although the Banking Act also makes provision for public financial support to be provided to an institution in resolution subject to certain conditions, it provides that the financial public support should only be used as a last resort after the relevant UKRA has assessed and exploited, to the maximum extent practicable, all the resolution tools, including the bail-in power.

16. ***The Group is subject to tax-related risks***

The Group is subject to the substance and interpretation of UK tax laws and is subject to routine review and audit by tax authorities in relation thereto. The Group's interpretation or application of these tax laws may differ from those of the relevant tax authorities, and the Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. Separately, potential changes to tax legislation and tax rates, in the UK could increase its effective tax rate in the future as the UK government seeks revenue to pay for Covid-19 support packages. The occurrence of any of these events or circumstances could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

17. ***The Group may be subject to increased regulation regarding culture and accountability***

Financial institutions remain under considerable scrutiny by regulators, international bodies, organisations and unions regarding conduct of business, particularly in relation to fair outcomes for customers, including those who are or who could be identified as vulnerable, promoting effective competition in the interests of customers, driving higher standards of both personal and corporate conduct and ensuring the orderly and transparent operation of global financial markets. As a result, the Group and its personnel may be subject to increased regulation in connection with institutional culture, employee behaviour and whistleblowing, including measures arising from ongoing thematic reviews into the workings of the SME and wholesale banking sectors and the provision of financial advice to consumers (particularly the FCA's Senior Managers and Certification Regime and the continued focus in the UK on the progress being made in implementing wider recommendations made by the Parliamentary Commission on Banking Standards). Regulators, prosecutors, the media and the public all have heightened expectations as to the behaviour and conduct of financial institutions, and any shortcomings or failure to demonstrate adequate controls are in place to mitigate such risks, particularly risks associated with the mis-selling of financial products (such as payment protection insurance policies) or the mis-handling of customer complaints, could result in regulatory sanctions, fines or an increase in civil litigation, and could have a material adverse effect on the Group's business, financial condition, results of operations and reputation.

Risks related to the Group's operations

18. ***The Group's operations are highly dependent on the HSBC Group's information technology systems***

The reliability and security of the HSBC Group's information technology infrastructure is crucial to the Group's provision of banking services and protecting the HSBC brand. The effective functioning of the HSBC Group's payment systems (including the Group's payment systems), financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, the communication networks between the Group's branches and main data processing centres, and the ability of the Group's customers to access their accounts, is important to the Group's operations. As a result of the Covid-19 pandemic, business continuity responses were implemented and the Group continues to monitor the situation, in particular, in those countries and regions where the level of Covid-19 infections is most prevalent.

Critical system failure, prolonged service unavailability or a material breach of data security, particularly of confidential customer data, could compromise the Group's ability to service its clients, could breach regulations and could cause long-term damage to the Group's business and

brand that could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

19. ***The Group is susceptible to a wide range of cyber risks that impact and/or are facilitated by technology***

The threat of cyber-attacks remains a concern for the Group, as it does across the entire financial sector. Failure to protect the Group's operations from cyber-attacks may result in financial loss, disruption for customers or a loss of data. This could negatively affect the Group's reputation and its ability to attract and retain customers, and as it continues to grow and digitise at scale, it may be exposed to new cyber threats.

Adversaries attempt to achieve their objectives by compromising the group and related third party systems. They use techniques that include malware (including ransomware), exploitation of both known and unpublished (zero-day) vulnerabilities in vendor-supplied and HSBC-developed software, phishing emails, distributed denial of service, as well as potentially physical compromise of premises and coercion of staff. The Group's customers are also subject to these cyber-attack techniques. These techniques are constantly evolving and cyber-attacks are increasing in terms of frequency, sophistication, impact and severity. The Group, like other financial institutions, experiences numerous attempts to compromise its cyber security. The Group expects to continue to be the target of such attacks in the future.

Cybersecurity risks will continue to increase, due to factors such as the increasing demand across the industry and customers' expectations for the continued expansion of services delivered over the internet; increasing reliance on internet-based products, applications and data storage; and changes in ways of working by the Group's employees, contractors, third party service providers and suppliers and their sub-contractors in response to the Covid-19 pandemic.

A failure in the Group's adherence to its cyber security policies, procedures or controls, employee malfeasance, or human, governance or technological error could also compromise the Group's ability to successfully defend against cyber-attacks. Should any of the aforementioned cybersecurity risks materialise, they could have a material adverse effect on the Group's customers, business, financial condition, results of operations, prospects, and reputation.

20. ***The Group could incur losses or be required to hold additional capital as a result of model limitations or failure***

The Group uses models for a range of purposes in managing its business, including regulatory capital calculations, stress testing, credit approvals, calculation of ECLs on an IFRS9 basis, financial crime and fraud risk management and financial reporting. The Group could face adverse consequences as a result of decisions that may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed or by inherent limitations arising from the uncertainty inherent in predicting or estimating future outcomes. Regulatory scrutiny and supervisory concerns over financial institutions' use of models is considerable, particularly the internal models and assumptions used by financial institutions in the calculation of regulatory capital. If key capital models significantly underestimate risks or do not meet critical regulatory requirements, the Group could be required to hold additional capital. Evolving regulatory requirements have resulted in changes to the Group's approach to model risk management, which poses execution challenges. The adoption of more sophisticated modelling approaches including artificial intelligence related risks and technology by both the Group and the financial services industry could also lead to increased model risk. The Group's commitment to changes to business activities due to climate and sustainability challenges will also have an impact on model risk going forward. Models will play an important role in risk management and financial reporting of climate related risks. Challenges such as uncertainty of the long dated impacts of climate change and lack of robust and high quality climate related data present challenges to creating reliable and accurate model outputs for these models.

The economic consequences of the Covid-19 pandemic have impacted the reliability of model outputs beyond how IFRS9 models have been built and calibrated to operate. Moreover, complexities of current governmental support programmes and regulatory guidance on the

treatment of customer impacts, such as forbearance and payment holidays, and the unpredictable pathways of the Covid-19 pandemic, cannot realistically be factored into the modelling. Consequently, IFRS9 models under the current economic conditions are generating outputs that do not accurately assess the actual level of credit quality in all cases. This has required more ongoing monitoring and more frequent testing across the Group, particularly for credit models. It has also resulted in enhanced and more frequent loss model monitoring. In order to calculate more realistic valuation of assets, compensating controls, such as post model management adjustments based on expert judgement are required. Such compensating controls require a significant degree of management judgment and assumptions. There is a risk that future actual results/performance may differ from such judgments and assumptions. In addition, existing models are calibrated in most instances on the basis of the post-2008 time period which had different drivers for the economic downturn as compared to the challenging macro-environment observed during the pandemic and the current high inflation macro-environment. As a result, the model outcome is not as reliable, requiring judgmental overrides to capture risks not reflected in the model outcome.

Risks arising from the use of models, including reputational, could have a material adverse effect on the Group's business, financial condition, capital position, results of operations and prospects.

21. ***The Group's operations utilise third-party suppliers and service providers***

The Group relies on third parties to supply goods and services. The use of third-party service providers by financial institutions is of particular focus to global regulators. This includes how outsourcing decisions are made, how key relationships are managed and the Group's understanding of third party dependencies and their impact on service provision.

The inadequate management of third-party risk could impact the Group's ability to meet strategic, regulatory and client expectations. This may lead to a range of impacts, including regulatory censure, civil penalties or damage to the Group's reputation, which could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and strategy.

Risks related to the Group's governance and internal controls

22. ***The Group's data management and data privacy controls must be sufficiently robust to support the increasing data volumes and evolving regulations***

As the HSBC Group becomes more data-driven and the Group's business processes move to digital channels, the volume of data that the Group relies on has grown. In addition, the focus on technology, underpinned by customer protection, including the use of artificial intelligence and digital assets (data, identity and disclosures), financial technology risks, operational resilience, virtual currencies (including central bank digital currencies and global stablecoin) and cybersecurity and the introduction of new and/or enhanced standards in this area has increased. As a result, management of data (including data retention and deletion, data quality, data privacy and data architecture policies and procedures) from creation to destruction must be robust and designed to identify quality and availability issues. Inadequate data management could result in negative impacts to customer service, business process, or require manual intervention and reconciliation to reduce the risk of errors in reporting to senior management, regulators or executives.

In addition, failure to comply with data privacy laws or other legislation in the jurisdictions in which the Group operates may result in regulatory sanctions. Any of these failures could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

23. ***Third parties may use the Group as a conduit for illegal activities without the Group's knowledge***

The Group is required to comply with applicable AML and sanctions laws and regulations, and has adopted various policies and procedures, including internal control and "know your customer" procedures, aimed at preventing use of its products and services for the purpose of committing or concealing financial crime. Moreover, in relevant situations, and where permitted by regulation, the Group may rely upon certain counterparties to maintain and properly apply their own appropriate AML procedures. While permitted by regulation, such reliance may not prevent third parties from using the Group (and the Group's relevant counterparties) as a conduit for money

laundering, without the Group's knowledge (and that of the Group's relevant counterparties). Further, a major focus of US, UK and EU government policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with US, UK and EU sanctions.

Becoming a party to, associated with, or even accusations of being associated with, money laundering, or violations of sanctions laws or regulations could damage the Group's reputation and could make it subject to fines, sanctions and/or legal enforcement. Any one of these outcomes could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

24. ***The Group may suffer losses due to employee misconduct***

The Group's businesses are exposed to risk from potential non-compliance with the HSBC Group's policies, including the HSBC values (the HSBC values describe how the Group's employees should interact with each other and with customers, regulators and the wider community), and related behaviours and employee misconduct such as fraud, negligence or non-financial misconduct, all of which could result in regulatory sanctions and/or reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of "rogue traders" or other employees. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect this activity may not always be effective. Misconduct risks could be increased if prevent and detect measures are less effective because of remote and home working. Employee misconduct, or regulatory sanctions if a regulator deems the Group's actions to deter such activity to be insufficient, could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

25. ***The delivery of the Group's strategic actions is subject to execution risk and the Group may not achieve any of the expected benefits of its strategic initiatives***

The HSBC Group's strategy is built around four strategic priorities - focus on its strengths, digitise at scale, energise for growth and transition to net zero. The development and implementation of the HSBC Group's strategy requires difficult, subjective and complex judgements, including forecasts of customer needs and economic conditions in the UK, as well as development and deployment of modernised platforms, architecture and products. The HSBC Group may fail to correctly identify the trends it seeks to exploit and the relevant factors in making decisions as to deployment of resources.

Effective management of transformation projects is required to effectively deliver the HSBC Group's strategic priorities, involving delivering both on externally driven programmes as well as key business initiatives to deliver revenue growth, product enhancement and operational efficiency outcomes. The magnitude, complexity and, at times, concurrent demands of the projects required to meet these can result in heightened execution risk.

The HSBC Group's strategy is supported by global trends – the continued economic development in emerging markets, growth of international trade and capital flows, and wealth creation, particularly in faster-growing markets. The HSBC Group took into consideration global trends along with its strategic advantages to help it better deploy capital. The development and implementation of the HSBC Group's strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions. The HSBC Group may fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction. The HSBC Group may also encounter unpredictable changes in the external environment that are unfavourable to its strategy.

The Group's ability to assist in executing the HSBC's Group strategy may be limited by its operational capacity and the increasing complexity of the regulatory environment in which the Group operates. The Group continues to pursue cost management initiatives, though they may not be as effective as expected, and the Group may be unable to meet the HSBC Group's cost saving targets.

The global economic outlook continues to remain uncertain, particularly with regard to the ongoing effects of rising inflation and cost of living pressures, supply chain constraints, interest rate

volatility, changes in tax legislation, the UK relationship with the EU and the remaining impacts of the Covid-19 pandemic. There remains a risk that, in the absence of an improvement in economic conditions, the Group's cost and investment actions may not be sufficient to achieve the expected benefits.

In addition, UK and global economic conditions may be severely adversely affected by acts of war or terrorism, in particular the increased geo-political tensions arising from the Russia-Ukraine war.

The failure to successfully deliver or achieve any of the expected benefits of these key strategic initiatives could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

26. ***Concentration of credit and market risk could increase the Group's potential for losses***

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or are engaged in similar activities, or operate in the same geographical areas/industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Group has exposure to concentration risk where its business activities focus particularly on a single obligor or a similar type of customer, product, industrial sector or geographic location.

In particular, the Group has significant exposure to UK residential mortgages and retail banking. The Group's UK mortgage and retail banking portfolios are strongly linked to the UK economy, and any deterioration in the UK's economic environment (including as a result of the Covid-19 pandemic or the Russia-Ukraine war) could materially and adversely affect the credit quality of such portfolios. See "*Current economic and market conditions may adversely affect the Group's results*" and "*Risks relating to the impact of Covid-19*." Additionally, any decreases in property values may also reduce the collateral values against the mortgage portfolios, which could negatively impact recovery values in default situations and lead to higher impairment charges.

The Group's efforts to diversify or manage its credit portfolio against concentration risks may not be successful and any concentration of credit risk could increase the potential for significant losses in its credit portfolio. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

27. ***The Group's risk management measures may not be successful***

The management of risk is an integral part of all the Group's activities. Risk constitutes the Group's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty, including retail and wholesale credit risk, market risk, non-traded market risk, operational risk, concentration risk, liquidity and funding risk, litigation risk, conduct risk, reputational risk, strategic risk, pension risk and regulatory risk.

While the Group employs a broad and diversified set of risk monitoring and mitigation techniques, such methods and the judgements that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome. Failure to manage risks appropriately or regulatory sanctions if a regulator deems the Group's risk management measures to be insufficient could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, strategy and reputation.

28. ***The emergence of digital currencies and the potential for increased disintermediation pose a risk to the Group's business and operations***

Over the past few years, digital assets have been a growing part of the financial landscape bringing with them increased competition and financial risk. The range of these assets has expanded to include, among others, Central Bank Digital Currencies and cryptocurrencies. The increased development of digital currencies and the growing focus of monetary and regulatory authorities on cryptocurrencies pose significant disintermediation risk, particularly in relation to processes involving the transfer of money between parties. This could result in a more direct linkage between currency providers and payment participants, reducing frictions existing in the current value chain, to the detriment of intermediaries such as the Group. Moreover, cryptocurrencies could reduce the

requirement for foreign exchange and payment intermediaries (such as the Group) as peer-to-peer transactions can take place across borders using a common means of exchange, regardless of where in the world the participants in the transactions are situated. The occurrence of any of these circumstances could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks related to the Group's business

29. ***The Group's business has inherent reputational risk***

Reputational risk is the risk of failing to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by the Group or a member of the HSBC Group, the Group's employees or those with whom the Group is associated. Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputational risk. Stakeholder expectations constantly evolve, and so reputational risk is dynamic and varies between geographical regions, groups and individuals. In addition, the Group's business faces increasing scrutiny in respect to ESG-related matters. If the Group fails to act responsibly, or to contribute to the achievement of the HSBC Group's announced targets, commitments, goals or ambitions, in a number of areas, such as diversity and inclusion, climate change, sustainability, workplace conduct, human rights, and support for local communities, the Group's reputation and the value of its brand may be negatively affected.

Modern technologies, in particular online social media channels and other broadcast tools that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Reputational risk could also arise from negative public opinion about the actual, or perceived, manner in which the Group conducts its business activities, or its financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Negative public opinion may adversely affect the Group's ability to retain and attract customers, in particular, depositors, and to retain and motivate staff, and could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

30. ***Non-financial risks are inherent in the Group's business, including the risk of fraudulent activity***

The Group is exposed to many types of non-financial risks that are inherent in banking operations. Non-financial risk can be defined as the risk to the Group of achieving its strategy or objectives as a result of inadequate or failed internal processes, people and systems, or from external events. It includes fraudulent and other criminal activities (both internal and external), breakdowns in procedures, breaches of regulations or law, and financial reporting and tax errors. These risks are also present when the Group relies on outside suppliers or vendors to provide services to the Group and its customers.

In particular, fraudsters may target any of the Group's products, services and delivery channels, including lending, internet banking, payments, bank accounts and cards. This may result in financial loss to the Group and/or its customers, an adverse customer experience, reputational damage and potential litigation, regulatory proceeding, administrative action or other adversarial proceeding in any jurisdiction in which the Group operates, depending on the circumstances of the event. The adoption of the Contingent Reimbursement Code has increased customer protection from Authorised Push Payment ("**APP**") scams which has the risk of significant additional costs, including contributions to industry funding of "no blame" claims.

These non-financial risks could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, strategy and reputation. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Group will necessarily be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FCA and the PRA.

31. ***The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel***

Meeting the demand to recruit, retain and develop appropriate senior management and skilled personnel remains subject to a number of challenges. These include rapidly changing skill requirements and ways of working, the evolving regulatory landscape plus increased requirements and expectations regarding diversity. Ongoing talent shortages and capabilities, particularly where those with the scarce capabilities are globally mobile, add to the complexity of the Group's supply challenge.

The Group's continued success depends in part on the retention of key members of its management team and wider employee base, the availability of skilled management in each of its business units, and the ability to continue to attract, train, motivate and retain highly qualified professionals, each of which may depend on factors beyond the Group's control, including economic, market and regulatory conditions, and the impact of the Covid-19 pandemic on health and well-being. In addition, the HSBC Group announced goals in relation to increasing the representation of women and black employees in senior leadership roles by 2025. If the HSBC Group fails to achieve these goals, the Group's ability to attract and retain qualified professionals may be negatively affected.

If one of the Group's business units fails to staff its operations appropriately or loses one or more of their key senior executives and fails to successfully replace them in a satisfactory and timely manner, or fails to implement successfully the organisational changes required to support the Group's business, this could place the Group at a significant competitive disadvantage and prevent it from successfully implementing its strategy, which could have a material adverse effect on the Group's financial condition, results of operations and prospects, including control and operational risks.

32. ***Any reduction in the credit rating assigned to the Issuer or any of its Securities could increase the cost or decrease the availability of the Group's funding and materially adversely affect the Group's liquidity position and/or net interest margin***

Credit ratings affect the cost and other terms upon which the Group is able to obtain market funding. Rating agencies regularly evaluate the Issuer, as well as its Securities. Their ratings are based on a number of factors, including their assessment of the relative financial strength of the Issuer, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Issuer's current rating or outlook, particularly given the rating agencies' current review of their bank rating methodologies and the potential impact on the Issuer's ratings.

Any reductions in these ratings and outlook could increase the cost of the Group's funding, limit access to capital markets and require additional collateral to be placed and, consequently, materially adversely affect the Group's interest margins and its liquidity position.

33. ***Risks concerning borrower credit quality are inherent in the Group's businesses***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems, including from the impact of the ongoing Covid-19 pandemic (see "*Risks relating to the impact of Covid-19*") as well as the evolution of other top risks, such as the current geopolitical and macro-economic risk environment (see "*Current economic and market conditions may adversely affect the Group's results*" and "*The Group is subject to political, social and other risks*") could reduce the recoverability and value of the Group's assets, and require an increase in the Group's ECLs.

The Group estimates and recognises ECLs in its credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the economic and geopolitical conditions, including the impact of sanctions, might impair the ability of the Group's borrowers to repay their loans and the ability of other counterparties to meet their obligations. This assessment considers multiple alternative forward-looking economic conditions (including GDP estimates) and incorporates this into the

ECL estimates to meet the measurement objective of IFRS9. As is the case with any such assessments, the Group may fail to estimate accurately the effect of factors that it identifies or fail to identify relevant factors. Further, the information the Group uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect. Any failure by the Group to accurately estimate the ability of its counterparties to meet their obligations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

34. ***The Group may be required to make substantial contributions to its pension plans***

The Group operates a pension plan, which has a defined benefit section and a defined contribution section. Defined benefit pension obligations fluctuate with changes in long-term interest rates, inflation, salary levels and the longevity of scheme members. They can also be affected by operational and legal risks. The level of contributions the Group makes to its pension plan has a direct effect on its cash flow. To the extent plan assets are insufficient to cover existing liabilities, higher levels of contributions may be required. As a result, deficits in the pension plan could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks related to the Group's financial statements and accounts

35. ***The Group's financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty***

The preparation of financial information requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, particularly those involving the use of complex models, actual results reported in future periods could differ from those on which management's estimates are based. Estimates, judgements, assumptions and models are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to the Group's results and financial position are those that involve a high degree of uncertainty and could have a material impact on the financial statements. In 2021, 'Critical accounting estimates and judgements' with respect to the Group's financial statements comprised interest income (effective interest rate), goodwill, post-employment benefit plans, provisions and the impairment of loans and advances.

The measurement of impairment of amortised cost financial assets and financial assets measured at fair value through other comprehensive income requires the selection and calibration of complex models and the use of estimates and assumptions to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Additionally, significant judgement is involved in determining what is considered to be significant increases in credit risk and what the point of initial recognition is for revolving facilities. The recognition and measurement of provisions involve significant judgements due to the high degree of uncertainty in determining whether a present obligation exists, and in estimating the probability and amount of any outflows that may arise. The calculation of the defined benefit pension obligation involves the determination of key assumptions, including discount rate, inflation rate, pension payments and deferred pension and pay and mortality. The effective interest rate applied to interest income recognised on credit card lending includes significant estimates and judgements related to their behavioural life which is estimated based on internal models and is reviewed regularly to reflect actual experience. The assessment of whether goodwill is impaired, and the measurement of any impairment, involves the application of judgement in determining key assumptions, including discount rates, estimated cash flows for the periods for which detailed cash flows are available and projecting the long term pattern of sustainable cash flows thereafter.

The effect of these changes on the future results of operations and the future financial position of the Group may be material, and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

36. ***Changes in accounting standards may have a material impact on how the Group reports its financial results and financial condition***

The Group prepares its consolidated financial statements in conformity with the requirements of the Companies Act 2006 and in compliance with UK-adopted international accounting standards, and additionally, the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), including interpretations ("**IFRICS**") issued by the IFRS Interpretations Committee. From time to time, the IASB or the IFRS Interpretations Committee may issue new accounting standards or interpretations that could materially impact how the Group calculates, reports and discloses its financial results and financial condition, and which may affect the Group's capital ratios, including the CET1 ratio. The Group could also be required to apply new or revised standards retrospectively, resulting in the Group restating prior period financial statements in material amounts.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer the information contained in this Registration Document is in accordance with the facts and this Registration Document makes no omission likely to affect its import.

This Registration Document is to be read and construed with all documents incorporated by reference into it.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document, including any documents incorporated by reference herein, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, or any trustee or any dealer appointed in relation to any issue of Securities by the Issuer.

This Registration Document, including any documents incorporated by reference herein should not be considered as a recommendation by the Issuer, any trustee or any dealer appointed in relation to any issue of Securities by the Issuer that any recipient of this Registration Document, including any document incorporated by reference herein, should purchase any Securities issued by the Issuer. Each investor contemplating subscribing for or purchasing Securities issued by the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. No part of this Registration Document, including any documents incorporated by reference herein, constitutes an offer or invitation by or on behalf of the Issuer, any trustee or any dealer appointed in relation to any issue of Securities by the Issuer or any of them to any person to subscribe for or to purchase any of the Securities issued by the Issuer.

None of the delivery of this Registration Document or any documents incorporated by reference herein or any prospectus prepared by the Issuer (a "**Prospectus**"), other offering document referring to this Registration Document or any relevant Final Terms or Pricing Supplement or the offering, sale or delivery of any Securities shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that the information contained in this Registration Document including any documents incorporated by reference herein is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. Any dealer or trustee appointed in relation to any issue of Securities by the Issuer expressly does not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of such Securities.

The distribution of this Registration Document, including any document incorporated by reference herein, and the offer or sale of Securities issued by the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any document incorporated by reference herein or any Securities issued by the Issuer come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities issued by the Issuer and on the distribution of this Registration Document, including any document incorporated by reference herein, see the applicable description of arrangements relating to subscription and sale of the relevant Securities in the relevant Prospectus or other offering document.

In this Registration Document and in relation to any Securities issued by the Issuer, references to the "**relevant dealers**" are to whichever of the dealers enters into an agreement for the issue of such Securities issued by the Issuer as described in the applicable description of arrangements relating to subscription and sale of the relevant Securities in the relevant Prospectus or other offering document and references to the "**relevant Final Terms**" are to the Final Terms or Pricing Supplement relating to such Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Registration Document:

- the 2021 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2021 submitted to and filed with the FCA (the "**2021 Annual Report and Accounts**"); and

- the 2020 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2020 submitted to and filed with the FCA (the "**2020 Annual Report and Accounts**").

The Issuer will, at its registered office and at the specified offices of the principal paying agent specified on the final page of this Registration Document (the "**Principal Paying Agent**"), make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Registration Document including any document incorporated by reference herein. Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent. Additionally, this Registration Document and all the documents incorporated by reference herein will be available for viewing at www.hsbc.com (please follow links to 'Investors', 'Fixed income investors', 'Issuance programmes' for this Registration Document and 'Investors', 'Results and Announcements', 'All Reporting', 'Subsidiaries' for the remaining documents). For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, any websites referred to in this Registration Document or any information appearing on such websites and pages do not form part of this Registration Document.

Any information incorporated by reference in the above documents does not form part of this Registration Document and, to the extent that only certain parts of the above documents are specified to be incorporated by reference hereunder, the non-incorporated parts of such documents are either not relevant for investors or are covered elsewhere in this Registration Document.

THE ISSUER AND ITS SUBSIDIARIES

Introduction

History and Development of the Issuer

The Issuer forms part of the HSBC Group (being HSBC Holdings plc and its subsidiaries). The Issuer and its subsidiaries (together, the "**Group**") largely comprise Wealth and Personal Banking ("**WPB**"), Commercial Banking ("**CMB**") and a restricted Global Banking and Markets business ("**GBM**"). The HSBC Group completed the ring-fencing of its UK retail banking activities on 1 July 2018, when it completed the transfer to the Issuer by HSBC Bank plc of the qualifying businesses and subsidiaries, together with supporting capital, following the Court approval of the ring-fenced transfer scheme to meet the regulatory ring-fencing requirements in accordance with the Financial Services (Banking Reform) Act 2013 and related legislation.

The Issuer is a public limited company registered in England and Wales under registration number 09928412. The liability of its members is limited. It has its registered and head office at 1 Centenary Square, Birmingham, B1 1HQ, United Kingdom; telephone number +44 3456 040 626. The Issuer was incorporated on 23 December 2015 under the Companies Act 2006 as a private limited company and then re-registered as a public limited company on 8 August 2017.

As at 31 December 2021, the Group had total consolidated assets of £346,063 million, and total consolidated equity of £23,805 million.

As at 31 December 2021, the Issuer had over 14 million customers being served by over 19,000 full time equivalent employees across the UK, supported by a further 5,000 full time equivalent employees based in its UK service company HSBC Global Services (UK) Limited who provide services to the Issuer and the wider HSBC Group.

Legislation

The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, *inter alia*, the Financial Services and Markets Act 2000, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the Companies Act 2006 (as amended).

Principal activities and markets

The Group manages its products and services through three businesses: WPB, CMB and GBM. In addition, certain central operations of the Group business lines are managed through the Corporate Centre.

WPB serves over 14 million active customers under four brands: HSBC UK, first direct, Marks and Spencer Bank and John Lewis Financial Services. WPB offers a comprehensive set of banking products and services to support customers' banking needs including current and savings accounts, mortgages, unsecured lending, wealth solutions and insurance services. As well as catering for the mass retail market, WPB also provides services for emerging affluent, mass affluent and affluent individuals under the following propositions: Advance, Premier, Jade and Private Banking.

CMB serves over 750,000 active customers across the UK, ranging from start-ups to multi-national corporates, through four customer groups: Small Business Banking; Business Banking; Mid-Market Enterprises; and Large Corporates. CMB supports customers with tailored financial products and services to allow them to operate efficiently and to grow, with a strong relationship focus. These include credit and lending, global liquidity and cash management, and global trade and receivables finance.

The Group is able to offer selected products to enable commercial hedging by its customers in permitted products under UK ring-fencing legislation, whilst also supporting the foreign currency payments and transaction banking offering for its customers. Through close collaboration with the HSBC Group, the Group offers other GBM products required by its clients that are not available within the Group.

Corporate Centre supports central operations of the Group's business lines and comprises Markets Treasury, interests in a joint venture, and stewardship costs.

The principal activities and markets of the Group are described in more detail on page 5 of the 2021 Annual Report and Accounts.

As at 31 December 2021, the Issuer's principal subsidiary undertakings and their country of incorporation were:

Name of Subsidiary Undertaking	Location
HSBC Equipment Finance (UK) Limited	England
HSBC Invoice Finance (UK) Limited..................	England
Marks and Spencer Financial Services plc...........	England

The subsidiaries, joint ventures and associates of the Issuer are described in more detail on pages 117 and 118 of the 2021 Annual Report and Accounts.

Organisational Structure

The Issuer is a wholly and directly owned subsidiary of HSBC Holdings plc.

The HSBC Group is one of the largest banking and financial services organisations in the world with an international network which covers 64 countries and territories. Within these regions, a comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. As at 31 December 2021 the total assets of the HSBC Group were U.S.$2,957,939 million.

Ratings

The Issuer has been assigned the following long-term credit ratings:

- A+ by S&P. This means that S&P is of the opinion that the Issuer has a strong capacity to meet its financial commitments;
- A1 by Moody's. This means that Moody's is of the opinion that the Issuer is judged to be of high quality and is subject to very low credit risk; and
- AA- by Fitch. This means that Fitch is of the opinion that the Issuer poses expectations of very low default risk, indicates very strong capacity for payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events.

The Issuer has also been assigned the following short-term credit ratings:

- A-1 by S&P. This means that S&P is of the opinion that the Issuer's capacity to meet its financial commitments on its short-term obligations is strong;
- P-1 by Moody's. This means that Moody's is of the opinion that the Issuer has a superior ability to repay short-term debt obligations; and
- F1+ by Fitch. This means that Fitch is of the opinion that the Issuer has the strongest intrinsic capacity for timely payment of financial commitments.

Each of S&P, Moody's and Fitch is established in the United Kingdom and is registered as a credit rating agency under the UK CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Capital

The following table presents the Group's common equity tier 1 requirement as at 31 December 2021 for the purposes of Capital Requirements Regulation and Directive, as implemented ("**CRR II**") including the IFRS9 transitional arrangements.

Common equity tier 1 CRR II end point requirement (%)	**As at 31 December 2021**
Pillar 1	4.50%
Pillar 2A*	2.57%
Capital conservation buffer	2.50%
O-SII buffer	1.00%
Common equity tier 1 requirement	**10.57%**

*expressed as a percentage using Pillar 2A nominal amount and Dec-21 RWAs

DIRECTORS OF THE ISSUER

The directors of the Issuer, each of whose business address is 1 Centenary Square, Birmingham, B1 1HQ, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

Name	Function(s) within the Group	Principal Outside Activities
Dame Clara Furse	Chairman Independent non-executive Director Chairman of the Chairman's Nominations and Remuneration Committee	Non-executive director of Vodafone Group plc, Amadeus IT Group, S.A. and Assicurazioni Generali S.p.A. Member of the Panel of Senior Advisors to Chatham House and of Bocconi University's International Advisory Council Chairman of the UK Voluntary Carbon Markets Forum
John David Stuart (known as Ian Stuart)	Executive Director and Chief Executive Officer Chairman of the Executive Committee	Group Managing Director of HSBC Holdings plc Member of the: Economic Crime Strategic Board; Working Group on Productive Finance SteerCo, FCA; Midlands Engine Business Council; GREAT Private Sector Council; Lord Mayors Appeal Advisory Board and UK Finance Limited Board (appointment effective from 1 July 2022) Business ambassador for Meningitis Now
Claire Baird	Chief Financial Officer	Group General Manager, HSBC Holdings plc and Chief Financial Officer Wealth and Personal Banking
James Coyle	Independent non-executive Director Chairman of the Audit Committee Member of the Risk Committee and Chairman's Nominations and Remuneration Committee	Chairman of Marks & Spencer Unit Trust Management Limited and HSBC Trust Company (UK) Limited. Non-executive director of Marks and Spencer Financial Services plc Senior independent director and chairman of the Audit and Risk Committee of Honeycomb Investment Trust plc; and an independent non-executive member of Deloitte UK Oversight Board
Mridul Hegde CB	Independent non-executive Director Chairman of the Risk Committee	Member of the Public Interest Board and UK Audit Board, Ernst & Young LLP

Name	Function(s) within the Group	Principal Outside Activities
	Member of the Audit Committee and the Chairman's Nominations and Remuneration Committee	
David Lister	Independent non-executive Director Member of the Risk Committee and Audit Committee	Chairman and non-executive director of HSBC Private Bank (UK) Limited, Marks and Spencer Financial Services plc and FDM Group (Holdings) plc Non-executive director of The Caledonian Club Trust Limited and a member of the board of governors at Nuffield Health
Philippe Leslie Van de Walle	Independent non-executive Director Member of the Audit Committee, Risk Committee and Chairman's Nominations and Remuneration Committee	Non-executive chairman of Euromoney Institutional Investor plc

Management Committees

Executive Committee

The Issuer's Executive Committee, whose business address is 1 Centenary Square, Birmingham, B1 1HQ, United Kingdom, meets regularly and operates as a management committee under the direct authority of the board of directors of the Issuer. The members of the Executive Committee and their functions in relation to the Issuer's Executive Committee and their principal outside activities (if any) of significance to the Issuer are as follows:

Name	Function(s) within the Group	Principal Outside Activities
John David Stuart (known as Ian Stuart)	Chief Executive Officer and Chairman of the Executive Committee	Group Managing Director of HSBC Holdings plc Member of the: Economic Crime Strategic Board; Working Group on Productive Finance SteerCo, FCA; Midlands Engine Business Council; GREAT Private Sector Council; Lord Mayors Appeal Advisory Board and UK Finance Limited Board (appointment effective from 1 July 2022) Business ambassador for Meningitis Now
Claire Baird	Chief Financial Officer	General Manager, HSBC Holdings plc and Chief Financial Officer Wealth and Personal Banking
Ian Banks	Head of Global Markets and Balance Sheet Management	Member of the UK Finance Capital Markets and Wholesale Product and Services Board

Name	Function(s) within the Group	Principal Outside Activities
Nicola Black	Company Secretary	—
Charles Boulton	Chief Executive Officer, UK Private Banking	Director, HSBC Private Bank (UK) Limited
Cheryl Bosi	Head of HR	—
Julia Dunn	Chief Risk Officer	General Manager, HSBC Holdings plc
Kate Epworth	Head of Communications	—
Katie Danby	Interim Head of Wealth and Personal Banking Chief Operating Officer of Wealth and Personal Banking	Non-executive director of HSBC Life (UK) Limited
Esmond Kensington	Chief of Staff and Head of Strategy	Board member of the Financial Services Skills Commission
Ralph Nash	Chief Compliance Officer	General Manager, HSBC Holdings plc and Chief Compliance Officer Wealth & Personal Banking
Hugh Pugsley	General Counsel	Director, HSBC Bank Pension Trust (UK) Limited
Jennifer Strybel	Chief Operating Officer	—
Stuart Tait	Head of Commercial Banking	General Manager, HSBC Holdings plc Director of UK-Asean Business Council

Conflicts of interest

There are no existing or potential conflicts of interest between any duties owed to the Issuer by its directors or its Executive Committee (each as described above) and the private interests and/or external duties owed by these individuals.

GENERAL INFORMATION

1. There has been no significant change in the financial position or financial performance of the Group nor any material adverse change in the prospects of the Issuer since 31 December 2021.

2. Save as disclosed in the section entitled "*Customer Remediation*" on page 105 and in Note 26 (*Legal proceedings and regulatory matters*) on pages 114 to 115 of the 2021 Annual Report and Accounts, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings of which the Issuer is aware) during the 12 months prior to the date of this Registration Document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Group.

3. The Issuer prepares its consolidated financial statements in accordance with IFRS as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, and UK adopted international accounting standards and the requirements of the Companies Act 2006.

4. PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, of One Chamberlain Square, Birmingham, B3 3AX, United Kingdom has audited without qualification the financial statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 2020 and 2021.

5. For so long as the Issuer may issue Securities with respect to which this Registration Document forms part of a prospectus prepared by the Issuer relating to such Securities, (a "**Prospectus**"), the following documents may be inspected during normal business hours at the registered office of the Issuer or at the website set out by each relevant document listed below for the 12 months from the date of this Registration Document:

    (a) the up to date memorandum and articles of the Issuer (website: www.hsbc.com (please follow links to 'Investors', 'Fixed income investors', 'Issuance programmes')); and

    (b) the 2020 Annual Report and Accounts and the 2021 Annual Report and Accounts (website: www.hsbc.com (please follow links to 'Investors', 'Results and Announcements', 'All Reporting', 'Subsidiaries')).

6. The Issuer will, at its registered office, and at the specified offices of the Principal Paying Agent, make available for inspection during normal office hours of the Principal Paying Agent, free of charge, upon oral or written request, a copy of this Registration Document and any Prospectus (as defined above). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent.

7. This Registration Document and all the documents incorporated by reference herein will be available for viewing at www.hsbc.com (please follow links to 'Investors', 'Fixed income investors', 'Issuance programmes'). For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, information contained on the website does not form part of this Registration Document.

8. The Legal Entity Identifier (LEI) code of the Issuer is 21380081EP12LC86CB82.

HEAD AND REGISTERED OFFICE OF THE ISSUER

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

AUDITORS TO THE ISSUER

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham B3 3AX
United Kingdom