BASE PROSPECTUS SUPPLEMENT DATED 18 AUGUST 2020

HSBC UK Bank plc

(a company incorporated in England with registered number 09928412; the liability of its members is limited)

as Issuer

DEBT ISSUANCE PROGRAMME

This base prospectus supplement (the "**Base Prospectus Supplement**") is supplemental to and must be read in conjunction with the Base Prospectus dated 2 June 2020 relating to the Debt Issuance Programme (the "**Base Prospectus**") prepared by HSBC UK Bank plc (the "**Issuer**") in connection with the application made for Notes to be admitted to listing on the Official List of the Financial Conduct Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**")), and to trading on the regulated market of the London Stock Exchange plc.

This Base Prospectus Supplement constitutes a supplement for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and a supplementary prospectus for the purposes of section 87G of the FSMA. Terms defined in the Base Prospectus shall have the same meaning when used in this Base Prospectus Supplement.

To the extent there is any inconsistency between (a) any statement in this Base Prospectus Supplement or any statement incorporated into the Base Prospectus by this Base Prospectus Supplement and (b) and any other statement in or incorporated by reference in the Base Prospectus, the statements in this Base Prospectus Supplement will prevail.

The purpose of this Base Prospectus Supplement is to:

- supplement the section entitled "*Documents Incorporated by Reference*" commencing on page 16 of the Base Prospectus and incorporate by reference into the Base Prospectus the Issuer's unaudited consolidated interim report for the six month period ended 30 June 2020 (the "**Unaudited Consolidated Interim Report**"). The Unaudited Consolidated Interim Report is available at: https://www.hsbc.com/investors/results-and-announcements/all-reporting/subsidiaries?page=1&take=20. The Unaudited Consolidated Interim Report, other than information incorporated by reference therein, is hereby incorporated by reference into the Base Prospectus;

- replace paragraph 1 of the "*General Information*" section of the Registration Document (which is incorporated by reference into the Base Prospectus) with the following statement:

  "There has been no significant change in the financial position or financial performance of the Group since 30 June 2020 nor any material adverse change in the prospects of the Issuer since 31 December 2019."

- update the risk factor entitled: *Impact of Covid-19* in the Base Prospectus in the section entitled "**Risks relating to the Issuer**" as set out in Annex 1 hereto.

Save as disclosed in this Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus.

To the extent that any document or information incorporated by reference itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Base Prospectus Supplement or the Base Prospectus for the purposes of the Prospectus Regulation, except where such information or documents are stated within this Base Prospectus Supplement as specifically being incorporated by reference or where this Base Prospectus Supplement is specifically defined as including such information.

The Issuer accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge of the Issuer the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

ANNEX 1

Macroeconomic and geopolitical risk

Impact of Covid-19

The uncertainty of Covid-19 and its effect on the global economy has impacted the Group's customers and performance and the future effects of the pandemic are uncertain. Covid-19 has necessitated unprecedented levels of government response to protect public health, local economies and livelihoods. The outbreak of Covid-19 has impacted countries and territories at different times and magnitudes as it has developed. The varying government measures in response to the outbreak have added challenges, given the rapid pace of change and significant operational demands. The speed at which countries and territories will be able to unwind their lockdown measures and return to pre-Covid-19 economic levels will vary based on the levels of infection and local political decisions. The risk of subsequent waves of infection, in the United Kingdom (the "**UK**") and elsewhere, remain.

Restrictions implemented by governments the world over to limit the spread of Covid-19 resulted in a sharp contraction in global economic activity in the first half of 2020. Economic activity is expected gradually to recover in the second half of 2020, but there is significant uncertainty associated with the pace and scale of resumption, with the UK unemployment rate expected to increase substantially in 2020 when the UK government employment support measures come to an end. As a result, 2020 is expected to see a pronounced recession in the UK and in many economies around the world. The extent of economic activity, and any reduction in the UK unemployment rate in 2021, is contingent on successful containment of the virus and the resolution of other top risks facing the UK, including what trade terms will be in place between the UK and the European Union (the "**EU**") from 1 January 2021, following the end of the transition period.

The risk of renewed drops in economic activity is material, and the economic fallout from Covid-19 risks is increasing inequality across markets in which the Group's clients operate. This will leave the burden on governments and central banks to keep up or increase fiscal and monetary stimulus. After a sharp fall in the early phases of the spread of Covid-19, financial markets have rebounded, although they remain volatile.

The UK government has deployed extensive measures to support households and corporates. Measures implemented include income support to households and funding support to corporates, while measures taken by the Bank of England (the "**BoE**"), include cuts to interest rates, support to funding markets and asset purchases. These measures are expected to be unwound gradually as government restrictions ease and as economic activity increases. The BoE is expected to maintain record-low interest rates for a considerable period of time and the debt burden of the UK government is expected to rise significantly.

The Group has initiated numerous measures to support its personal and business customers through these challenging times, including mortgage assistance, payment holidays, the waiving of certain fees and charges, and liquidity relief for businesses facing market uncertainty and supply chain disruption. The Group is also working closely with the UK government and its supporting schemes that focus on the parts of the UK economy most impacted by Covid-19. The Group has been a provider of the UK government's Coronavirus Business Interruption Loan Scheme from the beginning.

It is recognised that the above measures expose the Group to heightened risks. The rapid introduction and varying nature of the UK government support schemes, as well as customer expectations, can lead to risks as the Group implements largescale changes in a short period of time. This has led to increased operational risks, including complex conduct considerations, increased reputational risk and increased risk of fraud. These risks are likely to be heightened further as and when the UK government support schemes are unwound.

The Covid-19 outbreak has led to a weakening in gross domestic product ("**GDP**") in the UK, a key input used for calculating expected credit losses and other impairments charges ("**ECL**"), and there remains the risk of more adverse economic scenarios given its ongoing impact. Furthermore, ECL is expected to arise from parts of the Group's businesses impacted by the disruption to supply chains. The impact will vary by sectors of the UK economy, with heightened risk to the retail, transport and discretionary consumer spending sectors being observed in the first stages of the outbreak. The impact of the outbreak on the long-term prospects of businesses in these sectors is uncertain and may lead to significant ECL charges on specific exposures, which may not be fully captured in current ECL estimates. In addition, in times of crisis, fraudulent activity is often more prevalent, leading to potentially significant ECL charges.

Interest rates in most financial markets have been further reduced by central banks since the timelines and path for economic recovery have been adversely impacted and the likelihood of negative rates in more markets has increased. This raises a number of risks and concerns, such as the readiness of the Group's systems and processes to accommodate zero or negative rates, the resulting impacts on customers, regulatory constraints and the financial implications given the significant impact that prolonged low interest rates are likely to have on the Group's net interest income.

For some products, deposit rates are floored at zero, or decisions may be made not to charge negative rates. This, alongside loans repriced at lower rates, results in the Group's commercial margins being compressed, which will be reflected in the Group's profitability. The pricing of this risk will need to be carefully considered. If there is a rebalancing of portfolios toward fee-generating business and trading activities to offset reduced profits, the Group may become exposed once rates start rising again. These factors may challenge the long-term profitability of the banking sector, including the Issuer.

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 outbreak. This would in turn affect the market value of such instruments and result in markdowns on such instruments and an increase in the size of fair value adjustments.

The Covid-19 outbreak will likely have a detrimental impact on capital adequacy. This may include downward migration of customer credit ratings, which could negatively impact the Group's risk-weighted assets and capital position. In addition, it may include a stress on liquidity due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that the UK government and the BoE, have put in place to support funding and liquidity. The BoE's Financial Policy Committee has however reduced the UK countercyclical capital buffer rate to zero per cent., which is intended to support the ability of banks to supply credit to businesses and households through this period of economic disruption.

The Covid-19 outbreak has resulted in very significant movements in economic and market drivers, changes in retail and wholesale behaviours and a significant increase in the UK government's support programme for businesses and consumers. All of these factors significantly impact the performance of financial models including retail, wholesale, IFRS 9 and capital models. This has required more ongoing monitoring and more frequent testing of models across the Group, particularly credit. It has also resulted in the use of compensating controls in a consistent manner, such as overlays and overrides on top of some model outputs, to help protect the Group from unwanted risks. By their nature, such compensating controls require a significant degree of management judgement and assumptions to be applied, and there is a risk that future actual results/performance may differ from such judgements and assumptions. The Group expects that the performance and usage of models over the next 12 to 18 months will continue to be impacted significantly by the consequences of Covid-19.

It is too early in the current situation to be certain of the magnitude of change required. However, it is likely that capital, credit risk and IFRS 9 models will need to be recalibrated or in some cases may need to be replaced with the development of new models. The effectiveness of these will depend in large part on the depth and length of the economic downturn currently faced by the UK economy.

There remain significant uncertainties in assessing the duration of the Covid-19 outbreak and its impact, and how this will evolve through 2020 and beyond. Any and all such events mentioned above (including, without limitation, a prolonged period of significantly reduced economic activity as a result of the impact of the outbreak) could have a material adverse effect on the Group's businesses, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the Group's customers, employees and suppliers.