

## SUPPLEMENTARY LISTING PARTICULARS DATED 27 JUNE 2019



### **HSBC Bank plc**

*(a company incorporated with limited liability in England with registered number 14259)  
as Issuer*

### **HSBC Bank Middle East Limited**

*(a company limited by shares incorporated in the Dubai International Financial Centre)  
as Issuer*

## **PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS**

This supplement (the "**Supplement**") to the offering memorandum dated 6 June 2019 relating to the Programme for the Issuance of Notes and Warrants (the "**Offering Memorandum**", which constitutes listing particulars for the purposes of listing ("**Listing**") on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and trading on the Global Exchange Market of Euronext Dublin and, for the avoidance of doubt, which does not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended or superseded)), constitutes supplementary listing particulars (pursuant to rule 3.10 of the Global Exchange Market Listing and Admission to Trading – Rules) for the purposes of Listing.

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

This Supplement is supplemental to, and should be read in conjunction with, the Offering Memorandum and any other supplements to the Offering Memorandum prepared by HSBC Bank plc ("**HBEU**") and HSBC Bank Middle East Limited ("**HBME**" and, together with HBEU, the "**Issuers**" and each an "**Issuer**"), each of which may, from time to time, issue Notes and Warrants under the Programme for the Issuance of Notes and Warrants previously established by HBEU (the "**Programme**"). References to "**Issuer**" in this Supplement shall mean (i) in relation to any Notes or Warrants issued by HBEU, HBEU and (ii) in relation to any Notes or Warrants issued by HBME, HBME.

This Supplement has been approved by Euronext Dublin for the purposes of Listing.

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

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

The purpose of this Supplement is to disclose the accession to the Programme of HBME as an issuer with effect from 27 June 2019 and to make a number of consequential amendments to the Offering Memorandum, as follows:

- amend in Part A of the Offering Memorandum the cover page, the "Important Notices" section and the "How to Use this Document" section as detailed in Annex 1 hereto;
- amend the Table of Contents in Part A of the Offering Memorandum as detailed in Annex 2 hereto;
- insert in Part A of the Offering Memorandum additional risk factors relating to HBME as Issuer under the Programme, as set out in Annex 3 hereto;

- amend in Part A of the Offering Memorandum the incorporation by reference section to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 4 hereto;
- insert a new section in Part A of the Offering Memorandum entitled "HSBC Bank plc" to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 5 hereto;
- insert a new section in Part A of the Offering Memorandum entitled "HSBC Bank Middle East Limited" to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 6 hereto;
- amend in Part A of the Offering Memorandum the "Taxation" section to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 7 hereto;
- amend in Part A of the Offering Memorandum the "General Information" section to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 8 hereto;
- amend in Part B1 of the Offering Memorandum the "Terms and Conditions of the Notes" and amend in Part B2 of the Offering Memorandum the "Alternative Terms and Conditions of the Notes", in each case to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 9 hereto;
- amend in Part B3 of the Offering Memorandum the "Subscription and Sale of Notes" section to add certain additional selling restrictions and amend the United Kingdom selling restriction, as set out in Annex 10 hereto;
- amend in Part C of the Offering Memorandum the "Terms and Conditions of the Warrants" to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 11 hereto;
- amend in Part C of the Offering Memorandum the "Purchase and Sale of Warrants" section to add certain additional selling restrictions and amend the United Kingdom selling restriction, as set out in Annex 12 hereto; and
- amend in Parts B, C, D, E, F, G, H and I of the Offering Memorandum each *pro forma* pricing supplement to take into account the accession of HBME as Issuer under the Programme, as set out in Annex 13 hereto.

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

HBEU confirms that, save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Offering Memorandum and relating to HBEU and Notes and Warrants issued by it under the Programme has arisen or been noted, as the case may be, since the publication of the Offering Memorandum.

HBME confirms that, save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Offering Memorandum and relating to HBME and Notes and Warrants issued by it under the Programme has arisen or been noted, as the case may be, since the publication of the Offering Memorandum.

## ANNEX 1

(1) The cover page is replaced in its entirety with the following:

### "OFFERING MEMORANDUM



### HSBC BANK PLC

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

### HSBC BANK MIDDLE EAST LIMITED

*(a company limited by shares incorporated in the Dubai International Financial Centre)  
as Issuer*

#### PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

On 24 February 1999, HSBC Bank plc ("**HBEU**") established a Programme for the Issuance of Notes and Warrants (the "**Programme**"). On 27 June 2019, HSBC Bank Middle East Limited ("**HBME**") acceded to the Programme as an issuer (HBME together with, HBEU, the "**Issuers**" and each an "**Issuer**"). References in this Offering Memorandum to "Issuer" in connection with any issue of Notes or Warrants (as defined below) is to HBEU in the case of Notes or Warrants issued by HBEU, and is to HBME in the case of Notes or Warrants issued by HBME.

This Offering Memorandum (which expression shall include each of Parts A to I hereof and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the notes (the "**Notes**") and warrants (the "**Warrants**") to be admitted to the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and trading on its Global Exchange Market. Euronext Dublin's Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (2014/65/EU, as amended) ("**MiFID II**"). **This Offering Memorandum constitutes listing particulars for the purposes of listing on Euronext Dublin's Official List and trading on its Global Exchange Market and does not constitute a prospectus for the purposes of Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive").** Application has been made for this Offering Memorandum to be approved by Euronext Dublin and the securities to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market. Investors should note that securities to be admitted to Euronext Dublin's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

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

In relation to any Notes or Warrants, this Offering Memorandum must be read as a whole and together also with the relevant pricing supplement (the "**Pricing Supplement**"). Any Notes or Warrants issued under the Programme on or after the date of this Offering Memorandum are issued subject to the provisions described herein. This does not affect any Notes or Warrants already in issue.

This Offering Memorandum will be valid until 12 months from the date hereof.

Any person (an "**Investor**") intending to acquire or acquiring any securities from any person (an "**Offeror**") will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than the Dealers as defined herein) in connection with the offer or sale of the securities and, accordingly, this Offering Memorandum and any Pricing Supplement will not contain such information and an Investor must obtain such information from the Offeror.

The Programme also permits Notes or Warrants to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

HBEU has been assigned the following long term credit ratings: AA- by S&P Global Ratings Europe Limited ("**Standard & Poor's**"); Aa3 by Moody's Investors Service Limited ("**Moody's**"); and AA- by Fitch Ratings Limited ("**Fitch**"). HBME has been assigned the following long term credit ratings: A3 (stable) by Moody's and AA- (negative) by Fitch. Each of Standard & Poor's, Moody's and Fitch are established in the European Economic Area ("**EEA**") and are registered as credit rating agencies under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Standard & Poor's, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

**PRIIPS REGULATION - IMPORTANT – EEA RETAIL INVESTORS** - If the Pricing Supplement in respect of any Notes or Warrants includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes or Warrants are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPS Regulation**") for offering or selling the Notes or Warrants or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or Warrants or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The Notes and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the state securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes and Warrants are being offered and sold (A) in the United States or to, or

for the account or benefit of, U.S. persons (as defined in Regulation S), in each case only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) and (B) to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that the sellers of Notes and Warrants pursuant to clause (A) above may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

HBME does not intend to offer and sell any Notes or Warrants in the United States or to U.S. persons in reliance on Rule 144A.

In addition, unless the relevant Pricing Supplement specifies otherwise, Warrants may not be offered or sold to, or for the account or benefit of U.S. persons (as defined in the Interpretative Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292, 26 July 2013, as amended or supplemented by the U.S. Commodity Futures Trading Commission) at any time.

The Notes are not deposit liabilities of HBEU or HBME and are not covered by the United Kingdom Financial Services Compensation Scheme or insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United Kingdom, the United States or any other jurisdiction.

Programme Arranger, Dealer and Manager  
**HSBC Bank plc**

6 June 2019"

(2) The "Important Notices" section in Part A of the Offering Memorandum up to the paragraph entitled "**United States**" appearing on page (ii) thereof is deleted and replaced with the following:

### **"IMPORTANT NOTICES**

*HBEU accepts responsibility for the information contained in this Offering Memorandum relating to HBEU and Notes and Warrants issued by it. To the best of the knowledge of HBEU, which has taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum relating to HBEU and Notes and Warrants issued by it is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*HBME accepts responsibility for the information contained in this Offering Memorandum relating to HBME and Notes and Warrants issued by it. To the best of the knowledge of HBME, which has taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum relating to HBME and Notes and Warrants issued by it is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*Neither Issuer intends to provide post-issuance information.*

*None of the Programme Arranger nor any dealer for an issue of Notes nor any manager for an issue of Warrants (each such dealer or manager a "**Dealer**") has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Programme Arranger or any Dealer as to the accuracy or completeness of the information contained in this Offering Memorandum or any other information provided by the Issuers in connection with the Programme or the Notes or the Warrants or their distribution.*

*No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Programme Arranger or any Dealer.*

*Neither this Offering Memorandum nor any Pricing Supplement nor any further information supplied in connection with the Programme or any Notes or any Warrants should be considered as a recommendation or as constituting an invitation or offer by either Issuer or any Dealer to any recipient of this Offering Memorandum to subscribe for or purchase any Notes or any Warrants issued by either Issuer. Each investor contemplating subscribing for or purchasing any Notes or any Warrants should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuers. Neither this Offering Memorandum nor any other information supplied in connection with the Programme or any Notes or any Warrants constitutes an offer by or on behalf of any Issuer or any Dealer to subscribe for or purchase any Notes or any Warrants.*

*This Offering Memorandum has been prepared on the basis that any offer of Notes or Warrants in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes or Warrants. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes or Warrants which are the subject of an offering/placement contemplated in this Offering Memorandum as completed by a Pricing Supplement in relation to the offer of those Notes or Warrants may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes or Warrants in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer. For the purposes of this paragraph only, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.*

*An investment in the Notes or Warrants entails certain risks, which vary depending on the specifications and type or structure of the Notes or Warrants.*

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

*Each Issuer disclaims any responsibility for advising investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries in respect of the Notes and Warrants.*

*The distribution of this Offering Memorandum and the offer, distribution or sale of Notes or Warrants may be restricted by law in certain jurisdictions. None of the Issuers or any Dealer represents that this document may be lawfully distributed, or that any Notes or Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any such jurisdiction. In particular, action may be required to be taken to permit a public offering of any Notes or Warrants or a distribution of this Offering Memorandum in any jurisdiction. Accordingly, no Notes or Warrants may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Notes or Warrants come must inform themselves about, and observe, any such restrictions.*

***For details of certain restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes and Warrants in the Arab Republic of Egypt, Belgium, Bolivia, the Dubai International Financial Centre, the European Economic Area, France, Guernsey, Hong Kong, Isle of Man, Israel, Italy, Japan, Jersey, Kingdom of Bahrain, Kingdom of Saudi Arabia, the Lebanese Republic, Malaysia, Mexico, Norway, People's Republic of China, Peru, Philippines, Republic of Chile, Republic of Indonesia, Republic of Korea ("Korea"), Republic of Panama, Russia, Singapore, Spain, State of Kuwait, State of Qatar (including Qatar Financial Centre), Sultanate of Oman, Switzerland, The Netherlands, Taiwan, Thailand, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom, the United States of America and Uruguay, see "Subscription and Sale of Notes" and "Purchase and Sale of Warrants" below.***

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(3) The first sentence of the "How to Use this Document" section on page (v) is deleted and replaced with the following:

"Notes and Warrants may be issued by either Issuer under this Programme. The Notes and Warrants may include, among other things, Notes and Warrants whose return is linked to:"

## ANNEX 2

The table of contents in Part A of the Offering Memorandum is deleted and replaced in its entirety with the following:

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## ANNEX 3

(1) The text on page A-1 of the Offering Memorandum up to the heading "Risks relating to the Notes and Warrants" is deleted in its entirety and replaced with the following:

### "PART A

#### INFORMATION RELATING TO THE PROGRAMME GENERALLY

##### RISK FACTORS

*This section provides details of the principal risks associated with each Issuer and the Notes and Warrants.*

*Any investment in the Notes and Warrants is subject to a number of risks. Prior to investing in the Notes and Warrants, prospective investors should carefully consider risk factors associated with any investment in the Notes or Warrants, the business of the relevant Issuer and the industry in which it operates together with all other information contained in this Offering Memorandum, including, in particular, the risk factors described below under the heading "Risks relating to Notes and Warrants issued by HBEU and HBME" and, in relation to Notes and Warrants issued by HBEU, the risk factors contained in the HBEU Registration Document (as defined in the section headed "Incorporation by Reference" below) and the risk factors described below under the heading "Risks relating to Notes and Warrants issued by HBEU only" and, in relation to Notes and Warrants issued by HBME the risk factors described below under the headings "Risks relating to HBME" and "Risks relating to Notes and Warrants issued by HBME only". Each Issuer considers such risk factors to be the principal risk factors that may affect its ability to fulfil its obligations under the Notes and Warrants and/or risk factors that are material for the purposes of assessing the market risk associated with the Notes and Warrants. Words and expressions defined in the Conditions or elsewhere in this Offering Memorandum have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes or Warrants and should be used as guidance only. Additional risks and uncertainties relating to each Issuer or the Notes and Warrants that are not currently known to the relevant Issuer, or that such Issuer currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of such Issuer or the Notes and Warrants themselves, and, if any such risk should occur, the price of the Notes and Warrants may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes or Warrants is suitable for them in light of the information in this Offering Memorandum and their personal circumstances.*

##### **Risks relating to HBEU**

A description of the risk factors relating to HBEU that may affect the ability of HBEU to fulfil its obligations under the Notes and Warrants are set out in the section entitled "Risk Factors" on pages 1 to 18 of the Registration Document (as defined in the section headed "Incorporation by Reference" below).

##### **Risks relating to HBME**

##### **Macroeconomic and geopolitical risk**

##### ***Current economic and market conditions could materially adversely affect HBME's results***

HBME's earnings are affected by global and local economic and market conditions. In recent years, global markets have experienced difficult conditions of varying intensity.

As at 27 June 2019, the global macroeconomic climate remains volatile. Investor confidence in international debt and equity markets (and, in turn, the performance of those markets) could be adversely impacted by recent political events. In particular, the United Kingdom's ("UK") anticipated withdrawal from the European Union ("EU") and the election of Donald J. Trump as President of the United States ("U.S.") has resulted in periods of significant under and (as applicable) over performance in financial markets. Additionally, the impact of "Brexit" on the general political and macro-economic conditions in the UK and across the EU is expected to continue to be significant until the precise terms of the UK's exit from the EU become clearer. Recent changes in U.S. trade policy such as the implementation of tariffs on products imported from countries such as China have already triggered retaliatory actions from affected countries

and could lead to potential trade wars that could have a material adverse effect on global trade and economic growth. See "*HBME is likely to be affected by global geopolitical trends, including the risk of government intervention*" below. The decision of the Trump administration to withdraw the U.S. from the Joint Comprehensive Plan of Action on Iran's nuclear programme and the re-imposition of sanctions by the U.S. against Iran in 2018 could have an impact on the geopolitical environment in the Middle East, North Africa and Turkey ("**MENAT**") region.

Movements in global interest rates have also continued to be unpredictable. The U.S. Federal Reserve raised U.S. interest rates in December 2015 for the first time since 2006, and they have continued to rise throughout 2016, 2017 and 2018. Currently market expectations are for a fall in the second half of 2019. Any uncertainty in the direction of U.S. interest rates is expected to contribute to the prevailing mood of economic uncertainty within the U.S. and globally. Any slowdown in the global economic environment, together with any reduction in governmental spending and the likely impact on the level of economic activity in Dubai and the United Arab Emirates ("**UAE**"), may have an adverse effect on HBME's credit risk profile.

At a regional level, and notwithstanding the continued volatility in global crude oil prices through 2017 – 2019 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.\$62.06 per barrel for the year ended 31 December 2017, approximately U.S.\$56.94 per barrel for the year ended 31 December 2018 and approximately U.S.\$69.97 per barrel for May 2019), most Gulf Co-operation Council ("**GCC**") states, including the UAE, have continued to be affected by budget deficits, a decrease in fiscal revenues and consequent lower public spending since 2016. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and/or continued lower government spending. This has resulted in the downgrading, or placing on "creditwatch", of a number of GCC sovereigns including, particularly, the, the Sultanate of Oman and the Kingdom of Bahrain.

In the UAE, fiscal policy remains pro-cyclical. In recent years, lower oil prices have led to the rationalisation of fiscal spending. The federal government has cut investment, raised electricity and water tariffs and removed fuel subsidies. However they more recently have reversed this stance, cutting government fees and re-launching investment plans with the aim of stimulating growth.

Further, with effect from 1 January 2018, the federal government implemented a value-added tax ("**VAT**") regime in the UAE at a rate of 5 per cent as part of a GCC wide agreement. On 1 January 2019, Bahrain joined the GCC VAT regime; Oman and Qatar are expected to introduce VAT in 2020. VAT in the UAE and Bahrain applies on most goods and services. VAT applies on financial and banking services where these are remunerated by way of explicit fees, explicit premiums, late payment fees and commission charges. Certain financial charges are exempt from VAT – however, the exemption is very narrow and limited to spread and margin-based revenues. Under the UAE VAT regime, services provided to clients resident outside the GCC will be subject to 0% VAT whereas services received from foreign vendors trigger 5% VAT (following the destination principle). These significant fiscal reforms have become an integral part of a broader federal government strategy aimed at reducing fiscal expenditure generally and fiscal dependency on hydrocarbon related revenues.

Further, and in response to the ongoing volatility in oil prices, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". Each of Kazakhstan, Azerbaijan (during 2015) and Egypt (in November 2016) chose to unwind the U.S. dollar peg of their domestic currencies. Whilst we are not aware that any GCC country intends on de-pegging, there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions or the volatility in global crude oil prices seen since mid-2014 persist for a prolonged period) may pose a systemic risk to the regional banking systems by virtue of the potential devaluation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks.

These challenging market conditions have historically resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets. Adverse market conditions have impacted investment markets both globally and in the MENAT region, including adverse changes and increased volatility in interest rates and exchange rates and decreased returns from equity, property and other investments. The financial performance of HBME may be materially and adversely affected by a worsening of general economic conditions in the markets in which HBME operates, as well as by United States, European and international trading market conditions and/or related factors.

Uncertain and at times volatile economic conditions can create a challenging operating environment for financial services companies such as HBME. In particular, HBME may face the following challenges to its operations and operating model in connection with these factors:

- the demand for borrowing from creditworthy customers may diminish if economic activity slows or remains subdued;
- if interest rates rise further, consumers and businesses may struggle with the additional debt burden, which could lead to increased delinquencies and expected credit losses ("ECLs")/loan impairment charges;
- if interest rates were to fall, it may negatively impact HBME's net interest margin given HBME's structural interest rate exposure;
- HBME's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption; and
- 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 delinquencies, default rates, ECLs/loan impairment charges. 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 HBME.

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

***HBME 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 arresting this trend. In Europe, for example, there remains an uncertain economic and political outlook, particularly in light of the UK's anticipated withdrawal from the EU. A gradual shift in global power from the U.S. and Europe towards China and emerging markets also appears to be occurring and may continue. There is a continued threat of large scale trade wars between major economic blocs resulting from the imposition of tariffs by the U.S. and China on one another in 2018 and 2019 which could have a material adverse impact on global economic growth. Furthermore, sanctions targeting the Russian government, institutions and individuals have had (and are continuing to have) an adverse effect on the Russian economy, and further sanctions may be possible.

A rise in nationalism and protectionism, including trade barriers, may be driven by populist sentiment and structural challenges facing developed economies. Similarly, if capital flows are disrupted, some emerging markets (for example in the MENAT region) 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 HBME's traditional lines of business.

HBME's geographic 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 HBME's business, financial condition, results of operations and prospects.

***HBME is subject to political, social and other risks in the countries in which it operates***

HBME operates through an international network of subsidiaries, branches and affiliates. HBME's operations are subject to potentially unfavourable political, social, environmental and economic developments in such jurisdictions, which may include:

- coups, civil wars or acts of terrorism;
- social instability;
- currency fluctuations;
- climate change and acts of God, such as natural disasters and epidemics; and
- infrastructure issues, such as transportation or power failures.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011, there has been political unrest in a range of countries in the MENAT region, including Egypt, Algeria, Jordan, Libya, Bahrain, Saudi Arabia, Yemen, the Republic of Iraq (Kurdistan), Syria, Palestine, Turkey, Tunisia and Oman.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in the Republic of Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. In addition, in June 2017, the UAE, along with Saudi Arabia, Bahrain and Egypt, ended diplomatic ties with the State of Qatar while in May 2018 the State of Qatar announced a ban on goods from the UAE, Saudi Arabia, Bahrain and Egypt. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, the cessation of diplomatic ties, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENAT region could adversely impact the UAE.

Such risk events may give rise to disruption to HBME's services and result in physical damage to its operations and/or risks to the safety of its personnel and customers.

Physical risks from natural disasters such as floods and hurricanes could also impact credit risk-weighted assets, while the financial losses caused by these events could impair asset values and the creditworthiness of customers.

Such developments may result in a material adverse effect on HBME's business, financial condition, results of operations, prospects and strategy.

***Changes in foreign currency exchange rates may affect HBME's results***

HBME prepares its consolidated financial statements in U.S. dollars. However, a substantial portion of its assets, liabilities, revenues and expenses are denominated in other currencies. Changes in foreign exchange rates may have an effect on HBME's accounting standards, reported income, cash flows and shareholders' equity. Unfavourable changes in foreign exchange rates could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

**Macro-prudential, regulatory and legal risks to HBME's business model**

***HBME is subject to unfavourable legislative or regulatory developments and changes in the policy of regulators or governments and HBME may fail to comply with all applicable regulations, particularly any changes thereto***

HBME's businesses are subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and their interpretations in the UAE and the other markets in which HBME operates ("**Regulations**"). These Regulations include the Dubai International Financial Centre ("**DIFC**") Law No. 1 of 2004 as amended and the relevant subsidiary regulations of the Dubai Financial Services Authority (the "**DFSA**") and the banking regulations of the countries in which HBME operates. This is particularly the case given the current post-financial crisis regulatory and economic environment where HBME expects government and regulatory intervention in the banking sector to remain high for the foreseeable future. Additionally, many of these changes have an effect beyond the country in which they are enacted, as either regulators deliberately enact Regulation with extra-territorial impact or HBME's operations mean that the HSBC Group is obliged to give effect to local Regulations on a wider basis.

In recent years, regulators and governments 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. Measures include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the operation of capital markets activities, the introduction of tax levies and transaction taxes, changes in compensation practices and more detailed requirements on how business is conducted. On a regional level, recent examples of these include the implementation of the Federal Law No. 14 of 2018 on the Central Bank and Organisation of Financial Institutions and Activities which is aimed at the greater regulation of specified financial activities, the introduction of VAT in the GCC and regulations and standards enacted by the UAE Central Bank to give effect to the requirements of Basel III. Governments and regulators in the jurisdictions in which HBME operates may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect HBME.

Additionally, HBME may be indirectly affected by the impact of Regulations to which its counterparties and affiliates are subject in their respective jurisdictions, to the extent that such Regulations adversely affect counterparties' ability to meet their contractual obligations to HBME in transactions entered into with it.

More stringent regulatory requirements, including further capital, liquidity and funding requirements, and adjustments in the use of models for measuring risk, together with expected restrictions on outsourcing and use of data, may adversely affect elements of HBME's business, particularly if capital requirements are increased and/or the operating model for the provision of services is required to change to address such regulatory developments.

Regulations may come into force in the UAE without being made publicly available until after their implementation date or which may require the passing of further Regulations or the provision of guidance before it is fully clear how such Regulations will impact HBME's business.

There may be changes in Regulations, or in their interpretation or enforcement, or in how new Regulations are implemented. Further, there may be uncertainty and lack of international regulatory coordination as enhanced supervisory standards are developed and implemented. These developments are expected to continue to change the way in which HBME is regulated and supervised and could affect the manner in which HBME conducts its business activities, manages its capital requirements, assesses its risk management practices, or how HBME's group parent company is structured, all of which could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

#### ***HBME may not manage risks associated with the replacement of benchmark indices effectively***

The expected discontinuation of certain key interbank offered rates ("**Ibors**") such as the London Interbank Offered Rate ("**Libor**"), and the adoption of alternative risk-free benchmark rates ("**RFRs**") by the market, introduces a number of risks for HBME, its clients, and the financial services industry more widely. These include, but are not limited to:

- Legal risks, as changes to documentation for new and existing transactions may be required;
- Financial risks, arising from any changes in the valuation of financial instruments linked to RFRs;
- Pricing risks, as changes to RFRs could impact pricing mechanisms on some instruments;
- Operational risks, due to the potential need to adapt IT systems, trade reporting infrastructure, operational processes and controls to accommodate one or more RFRs; and

- Conduct risks, through potentially material adverse impacts on customers or financial markets.

The benchmark specifications, together with the timetable and mechanisms for discontinuation of existing Ibors and implementation of RFRs, have not yet been agreed across the industry and regulatory authorities. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect HBME. However, the discontinuation of existing Ibors and implementation of RFRs could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and customers.

***HBME 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***

HBME faces significant legal, regulatory and administrative risks in its business. See "*HBME is subject to unfavourable legislative or regulatory developments and changes in the policy of regulators or governments and HBME may fail to comply with all applicable regulations, particularly any changes thereto*".

The volume and amount of damages claimed in litigation, regulatory proceedings, investigations, administrative actions and other adversarial proceedings against financial institutions are increasing for many reasons, including a substantial increase in the number of regulatory changes taking place globally, 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 AML, anti-bribery/corruption, sanctions and counter-terrorist financing regulations, antitrust violations, market manipulation, aiding and abetting tax evasion, and providing unlicensed cross-border banking services, 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 HBME 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. Additionally, HBME's financial statements reflect provisioning for legal proceedings and regulatory matters. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions, and the actual costs of any disciplinary action discussed above may exceed existing provisioning. Any threatened or actual litigation, regulatory proceeding, administrative action, investigation or other adversarial proceeding against HBME or one or more of its subsidiaries could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

HBME and its affiliates continue to be subject to a number of material legal proceedings, regulatory actions and investigations including, for example in relation to the HSBC Group's historical foreign exchange sales and trading activities, which concluded with the entry by HSBC Holdings into a deferred prosecution agreement with the Criminal Division of the U.S. Department of Justice (the "**FX DPA**") (see Note 34 ("*Legal proceedings and regulatory matters*") on pages 76 to 77 of the 2018 HBME Annual Report and Accounts for further details). It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving HBME's businesses, 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. Additionally, potential consequences of breaching the FX DPA could include the imposition of additional terms and conditions on HBME, an extension of the agreement or the criminal prosecution of members of the HSBC Group, which could, in turn, entail further financial penalties and collateral consequences. Moreover, HBME and its subsidiary undertakings 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.

An unfavourable result in one or more of these proceedings could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***HBME is subject to tax-related risks in the countries in which it operates***

HBME is subject to the substance and interpretation of tax laws in all countries in which it operates and is subject to routine review and audit by tax authorities in relation thereto. HBME's interpretation or application of these tax laws may differ from those of the relevant tax authorities, and HBME 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. In general, changes to tax laws and tax rates, and penalties for failing to comply, could have a material adverse effect on HBME's business, financial condition, results of operations, prospects, capital position and reputation.

***HBME 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, 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, for example the DIFC Law No. 6 of 2018, which is aimed at providing minimum employment standards and promoting the fair treatment of employees. As a result, HBME 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. 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, could result in regulatory sanctions, fines or an increase in civil litigation, and could have a material adverse effect on HBME's business, financial condition, results of operations and reputation.

**Risks related to HBME's business, operations, governance and internal control systems**

***HBME's operations are highly dependent on the HSBC Group's information technology systems***

The reliability and security of the HSBC Group's information and technology infrastructure and customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. The proper functioning of the HSBC Group's payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between HBME's branches and main data processing centres, are critical to HBME's operations.

Critical system failure, any prolonged loss of service availability or any material breach of data security, particularly involving confidential customer data, could cause serious damage to HBME's ability to service its clients, could breach regulations under which HBME operates and could cause long-term damage to its business and brand that could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***HBME remains susceptible to a wide range of cyber risks that impact and/or are facilitated by technology***

The threat from cyber-attacks remains a concern for HBME's organisation and failure to protect HBME's operations from future internet crime or cyber-attacks may result in financial loss, business disruption and/or loss of customer services and data or other sensitive information that could undermine its reputation and its ability to attract and keep customers.

Destructive malware (including ransomware), distributed denial of service ("DDOS") attacks and organised cyber criminals targeting payments are increasingly dominant threats across the industry. In 2018, the HSBC Group was subjected to a small number of DDOS attacks on its external facing websites that were successfully mitigated across the HSBC Group with no destructive malware (including ransomware) or payment infrastructure attacks reported. Although cyber-attacks in 2018 had a negligible effect on HBME's customers, services or firm, due to the increasing sophistication of cyber-attacks there is the potential for future attacks to have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***HBME's data management policies and processes may not be sufficiently robust***

Critical business processes across the HSBC Group rely on large volumes of data from a number of different systems and sources. If data governance (including data retention and deletion, data quality and data architecture policies and procedures) is not sufficiently robust, manual intervention, adjustments and reconciliations may be required to reduce the risk of error in the HSBC Group's external reports or in reporting to senior management or regulators. Inadequate policies and processes may also affect HBME's

ability to use data within the HSBC Group to service customers more effectively and/or improve HBME's product offering. Moreover, financial institutions that fail to comply with in-country (local) and global regulatory and compliance requirements may face supervisory measures. In addition, failure to comply with emerging and recently implemented laws and regulations concerning data privacy and localisation in a number of jurisdictions across the globe may result in regulatory sanctions. Any of these failures could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***HBME could incur losses or be required to hold additional capital as a result of model limitations or failure***

HBME uses models for a range of purposes in managing its business, including regulatory capital calculations, stress testing, credit approvals, calculation of ECLs/loan impairment charges on an IFRS 9 basis, financial crime and fraud risk management and financial reporting. HBME 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.

Regulatory scrutiny and supervisory concerns over banks' use of models is considerable, particularly the internal models and assumptions used by banks in the calculation of regulatory capital. If regulatory approval for key capital models is not achieved in a timely manner, HBME could be required to hold additional capital.

Evolving regulatory requirements have resulted in changes to HBME's approach to model risk management, which poses execution challenges. The adoption of more sophisticated modelling approaches and technology by both HBME and the financial services industry could also lead to increased model risk.

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

***HBME may fail to adequately manage its third party suppliers and service providers***

HBME 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, including with respect to how outsourcing decisions are made and how key relationships are managed. For instance, the UAE regulator is anticipated to introduce regulations on the use of data and outsourcing more generally, which may impact the way certain services are provided by HBME in the MENAT region. As these regulations are not in force yet, it is difficult to quantify what impact they will have on HBME and its business. Risks arising from the use of third-party service providers may be less transparent and therefore more challenging to manage or influence. The inadequate management of third-party risk could impact HBME's ability to meet strategic, regulatory and client expectations. This may lead to a range of effects, including regulatory censure, civil penalties or damage to HBME's reputation, which could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and strategy.

***HBME relies on recruiting, retaining and developing appropriate senior management and skilled personnel***

The demands being placed on the human capital of HBME are unprecedented. The cumulative workload arising from a regulatory reform programme that is often extra-territorial and regularly evolving consumes significant human resources, placing increasingly complex and conflicting demands on a workforce that operates in an employment market where expertise in key markets is often in short supply and mobile.

HBME's continued success depends in part on the retention of key members of its management team and wider employee base. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of HBME's strategy. The successful implementation of HBME's growth strategy depends on the availability of skilled management in each of its business units, which may depend on factors beyond HBME's control, including economic, market and regulatory conditions.

If one of HBME's business units fails to staff its operations appropriately or loses one or more of its 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 HBME's business, this could place HBME at a significant competitive disadvantage and prevent it from successfully implementing its strategy,

which could have a material adverse effect on HBME's financial condition, results of operations and prospects, including control and operational risks.

***HBME may suffer losses due to employee misconduct***

HBME'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 HBME's employees should interact with each other and with customers, regulators and the wider community, see "Purpose and Strategy – HSBC Values" on page 3 of the 2018 HBEU Annual Report and Accounts for further details), and related behaviours and employee misconduct such as fraud or negligence, 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 HBME takes to prevent and detect this activity may not always be effective. Employee misconduct could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***The delivery of HBME's strategic actions is subject to execution risk***

Effective management of transformation projects is required to effectively deliver HBME's strategic priorities, involving delivering both on externally driven programmes (e.g. regulatory), as well as key business initiatives to deliver revenue growth, product enhancement and operational efficiency outcomes. Additionally, the cumulative impact of the collective change initiatives underway within the HSBC Group is significant and has direct implications on resourcing. The magnitude, complexity and, at times, concurrent demands of the projects required to meet these can result in heightened execution risk, which HBME endeavours to manage through appropriate governance. The failure to successfully deliver these key strategic initiatives may have material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

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

The HSBC Group's strategy is built around two trends - the continued growth of international trade and capital flows, and wealth creation, particularly in faster-growing markets. The HSBC Group has analysed those trends and developed criteria to help it better deploy capital in response. The development and implementation of the HSBC Group's strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions in various parts of the world. The HSBC Group may fail to correctly identify the trends it seeks to exploit and the relevant factors in making decisions as to capital deployment and cost reduction.

Key to achieving the HSBC Group's growth strategy is increasing the number of HSBC products held by HBME's customers through collaboration and driving synergies across its global businesses to grow revenue and earnings. Key opportunities for collaborations and to drive business synergies arise amongst HBME's Commercial Banking, Global Banking and Markets and Retail Banking and Wealth Management business lines (together with the HSBC Group's private bank), which are areas where many of the HSBC Group's competitors also focus. In both instances, this may limit HBME's ability to collaborate across business lines to sell additional products to its customers or may influence HBME to sell its products at lower prices, reducing its net interest income and revenue from its fee-based products. A failure to deliver the collaboration and/or business synergies required to achieve its growth strategy could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

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

In addition, factors beyond HBME's control, including but not limited to economic and market conditions, could limit HBME's ability to achieve any of the expected benefits of these initiatives. The global economic outlook is more uncertain, particularly with regard to economic risks, global trade tensions and revised interest rate expectations. There remains a risk that, in the absence of an improvement in economic conditions, HBME's cost and investment actions may not be sufficient to achieve the expected benefits.

Failure to achieve any of the expected benefits of HSBC Group's strategic initiatives could have a material adverse effect on HBME's business, financial condition, results of operations, prospects and reputation.

***HBME operates in markets that are highly competitive***

HBME competes with other financial institutions in a highly competitive industry that continues to undergo significant change as a result of financial regulatory reform, as well as, increased public scrutiny stemming from the financial crisis and continued challenging economic conditions.

HBME targets internationally mobile clients who need sophisticated global solutions and generally competes on the basis of the quality of its customer service, the wide variety of products and services that HBME 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 HBME's market share and/or cause HBME to increase its capital investment in its businesses in order to remain competitive. Additionally, HBME'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, HBME's ability to reposition or re-price 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 HBME 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 could require HBME to spend more to modify or adapt its products to attract and retain customers. HBME may not respond effectively to these competitive threats from existing and new competitors, and HBME may be forced 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 HBME's customers' needs.

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

***HBME's risk management measures may not be successful***

The management of risk is an integral part of all HBME's activities. Risk constitutes HBME'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, insurance risk, concentration risk, liquidity and funding risk, litigation risk, conduct risk, reputational risk, strategic risk, pension risk and regulatory risk. While HBME 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 could have a material adverse effect on HBME's business, financial condition, results of operations, prospects, strategy and reputation.

***Operational risks are inherent in HBME's business, including the risk of fraudulent activity***

HBME is exposed to many types of operational risk that are inherent in banking operations, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. These risks are also present when HBME relies on outside suppliers or vendors to provide services to HBME and its customers.

In particular, fraudsters may target any of HBME's products, services and delivery channels, including lending, internet banking, payments, bank accounts and cards. This may result in financial loss to HBME 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 HBME operates, depending on the circumstances of the event.

These operational risks could have a material adverse effect on HBME'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 HBME will necessarily be unable to comply with its obligations as a supervised firm regulated by the DFSA or any other regulator where HBME has a branch.

***HBME's operations have 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 HBME or a member of the HSBC Group, HBME's employees or those with whom HBME 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.

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 HBME conducts its business activities, or financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Negative public opinion may adversely affect HBME's ability to retain and attract customers, in particular, corporate and retail depositors, and retain and motivate staff, and could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

***HBME's financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty***

The preparation of financial statements requires management to make judgements, 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 may be based upon amounts that differ from those estimates. 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 circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to HBME's results and financial position, based upon materiality and significant judgements and estimates, include impairment of loans and advances, goodwill, valuation of financial instruments, deferred tax assets, provisions and impairment of interests in associates, which constitute critical accounting estimates and judgements with respect to HBME's consolidated financial statements.

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used that include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments, future outcomes may differ materially from those assumed using information available at the reporting date.

If the judgements, estimates and assumptions HBME uses in preparing its consolidated financial statements are subsequently found to be materially different from those assumed using information available at the reporting date, it could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

***Changes in accounting standards may have a material impact on how HBME reports its financial results and financial condition***

HBME prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**"), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the EU. From time to time, the IASB or the IFRS Interpretations Committee may issue new accounting standards or interpretations that could materially impact how HBME reports and discloses its financial results and financial condition as well as affect the calculation of HBME's capital ratios, including the common equity tier 1 capital ratio. HBME could also be required to apply new or revised standards retrospectively, resulting in HBME restating prior period financial statements in material amounts.

### *Third parties may use HBME as a conduit for illegal activities without HBME's knowledge*

HBME is required to comply with applicable AML 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. A major focus of U.S. and UK government policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with U.S. and EU economic sanctions. This focus is reflected in part by agreements between members of the HSBC Group and U.S. and UK authorities relating to various investigations regarding past inadequate compliance with AML and sanctions laws. These consent orders do not preclude additional enforcement actions by bank regulatory, governmental or law enforcement agencies or private litigation.

A number of remedial actions have been taken as a result of the matters related to HSBC Holdings' expired U.S. deferred prosecution agreement with the U.S. Department of Justice, which are intended to ensure that the HSBC Group's businesses are better protected in respect of these risks. However, there can be no assurance that these will be completely effective.

Moreover, in relevant situations, and where permitted by regulation, HBME may rely upon certain counterparties to maintain and properly apply their own appropriate AML procedures. While permitted by regulation, such reliance may not be effective in preventing third parties from using HBME (and HBME's relevant counterparties) as a conduit for money laundering, including illegal cash operations, without HBME's knowledge (and that of HBME's relevant counterparties). Becoming a party to money laundering, association with, or even accusations of being associated with, money laundering will damage HBME'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 HBME's business, financial condition, results of operations, prospects and reputation.

### *HBME has significant exposure to counterparty risk*

HBME is exposed to counterparties that are involved in virtually all major industries, and HBME routinely executes transactions with counterparties in financial services, including brokers and dealers, central clearing counterparties, commercial banks, investment banks, mutual and hedge funds, and other institutional clients.

Many of these transactions expose HBME to credit risk in the event of default by its counterparty or client. HBME's ability to engage in routine transactions to fund its operations and manage its risks could be materially adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. As a consequence, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses.

Mandatory central clearing of over-the-counter derivatives, including under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") and the EU's European Market Infrastructure Regulation poses risks to HBME. As a clearing member, HBME is required to underwrite losses incurred at a Central Counterparty ("**CCP**") by the default of other clearing members and their clients. Increased moves towards central clearing brings with it a further element of interconnectedness between clearing members and clients that HBME believes may increase rather than reduce its exposure to systemic risk. At the same time, HBME's ability to manage such risk itself will be reduced because control has been largely outsourced to CCPs, and it is unclear at present how, at a time of stress, regulators and resolution authorities will intervene.

Where bilateral counterparty risk has been mitigated by taking collateral, HBME's credit risk may remain high if the collateral HBME holds cannot be realised or has to be liquidated at prices that are insufficient to recover the full amount of HBME's loan or derivative exposure. There is a risk that collateral cannot be realised, including situations where this arises by change of law that may influence HBME's ability to foreclose on collateral or otherwise enforce contractual rights.

HBME also has credit exposure arising from mitigants, such as credit default swaps ("**CDSs**"), and other credit derivatives, each of which is carried at fair value. The risk of default by counterparties to CDSs and other credit derivatives used as mitigants affects the fair value of these instruments depending on the

valuation and the perceived credit risk of the underlying instrument against which protection has been purchased. Any such adjustments or fair value changes could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

***Market fluctuations may reduce HBME's income or the value of its portfolios***

HBME'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 HBME's customers act in a manner inconsistent with its business, pricing and hedging assumptions.

Market movements will continue to significantly affect HBME 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. A change in the interest rate environment could affect prepayment activity and this could change the weighted average lives of HBME's interest-earning assets, which in turn could have a material adverse effect on HBME. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing customer products sometimes restrict HBME's ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

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

***Liquidity, or ready access to funds, is essential to HBME's businesses***

HBME'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 HBME or the banking sector, including HBME's perceived or actual creditworthiness.

Current accounts and savings deposits payable on demand or at short notice form part of HBME's funding, and HBME places considerable importance on maintaining their stability. For deposits, stability depends upon preserving investor confidence in HBME'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.

HBME also accesses wholesale markets in order to provide funding for entities that do not accept deposits, to align asset and liability maturities and currencies, and to maintain a presence in local markets.

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 a material adverse effect on HBME's liquidity.

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

If HBME is unable to raise funds through deposits and/or in the capital markets, HBME's liquidity position could be adversely affected, and HBME might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature, to meet HBME's obligations under committed financing facilities and insurance contracts or to fund new loans, investments and businesses. HBME may need to liquidate unencumbered assets to meet HBME's liabilities. In a time of reduced liquidity, HBME may be unable to sell some of HBME's assets, or HBME may need to sell assets at reduced prices, which in either case could materially adversely affect HBME's business, financial condition, results of operations and prospects.

***Any reduction in the credit rating assigned to HBME, any subsidiaries of HBME or any of their respective debt securities could increase the cost or decrease the availability of HBME's funding and adversely affect HBME's liquidity position and net interest margins***

As at 27 June 2019, HBME has been assigned the following long term and short term credit ratings (respectively) by Moody's: A3 (stable) and P-2; and the following long term and short term credit ratings (respectively) by Fitch: AA- (negative) and F1+. Credit ratings affect the cost and other terms upon which

HBME is able to obtain market funding. Rating agencies regularly evaluate HBME and certain of its subsidiaries, as well as their respective debt securities. Their ratings are based on a number of factors, including their assessment of the relative financial strength of HBME or of the relevant subsidiary, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain HBME's or the relevant subsidiary's current ratings or outlook, particularly given the rating agencies' current review of their bank rating methodologies and the potential impact on HBME's or its subsidiaries' ratings. For example, in 2017, HBME's short term credit rating provided by Moody's was downgraded from A2 (negative) to A3 (stable) following a similar downgrade to the short term credit rating of HSBC Holdings plc by Moody's.

On 7 March 2019, Fitch placed the Long-Term Issuer Default Ratings of HBME on Rating Watch Negative ("**RWN**"). This action followed the placement by Fitch of the Long-Term Issuer Default Ratings of HSBC Holdings plc on RWN on 1 March 2019. The RWN reflects the heightened uncertainty over the ultimate outcome of the UK's withdrawal from the EU, and the increased risk that the UK may leave the EU without a withdrawal agreement in place, which could result in negative rating action.

Any such reductions in these ratings and outlook could increase the cost of HBME's funding, limit access to capital markets and require additional collateral to be placed and, consequently, materially adversely affect HBME's net interest margins and/or the its liquidity position, which in turn could have a material adverse effect on HBME's business, financial condition, results of operations and prospects.

***Risks concerning borrower credit quality are inherent in HBME's businesses***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (e.g. reinsurers and counterparties in derivative transactions) are inherent in a wide range of HBME's businesses. Adverse changes in the credit quality of HBME's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems could reduce the recoverability and value of HBME's assets and require an increase in HBME's ECLs/loan impairment charges.

HBME estimates and recognises ECLs/loan impairment charges in HBME's credit exposure. This process, which is critical to HBME's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the economic conditions might impair the ability of HBME'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 and incorporates this into the ECL estimates to meet the measurement objective of IFRS 9. As is the case with any such assessments, HBME may fail to estimate accurately the effect of factors that it identifies or fail to identify relevant factors. Further, the information HBME uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect. Any failure by HBME to accurately estimate the ability of its counterparties to meet their obligations could have a material adverse effect on HBME's business, financial condition, results of operations and prospects."

(2) The section from (and including) the heading "Guidance note in respect of this Risk Factors Section" to (and including) the heading "(1) Risks relating to all issues of Notes and Warrants" is deleted and replaced with the following (with the numbering of the following sections of the "Risks relating to the Notes and Warrants" section being adjusted accordingly):

***"Guidance note in respect of this Risk Factors section***

This Risk Factors section is divided into a number of sub-sections.

Details of these sub-sections are set out in the table below, alongside an indication of which Risk Factors are applicable to a particular issue of Notes and Warrants.

Name of sub-section	Applicable to	Explanation
(1) Risks relating to Notes and Warrants issued by HBME only	All Notes and Warrants issued by HBME	This sub-section will be relevant for all issues of Notes and Warrants by HBME, as it details the risk factors which the Issuer deems to be material in respect of all Notes and Warrants issued under the Programme. <i>In addition, risk factors from the following</i>

Name of sub-section	Applicable to	Explanation
		<i>sub-sections may be relevant to an issue of Notes and Warrants.</i>
(2) Risks relating to Notes and Warrants issued by HBEU only	All Notes and Warrants issued by HBEU	This sub-section will be relevant for all issues of Notes and Warrants by HBEU, as it details the risk factors which the Issuer deems to be material in respect of all Notes and Warrants issued under the Programme. <i>In addition, risk factors from the following sub-sections may be relevant to an issue of Notes and Warrants.</i>
(3) Risks relating to all issues of Notes and Warrants	All Notes and Warrants	This sub-section will be relevant for all issues of Notes and Warrants, as it details the risk factors which the Issuer deems to be material in respect of all Notes and Warrants issued under the Programme. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes and Warrants.</i>
(4) Risks relating to the Notes	All Notes only	This sub-section will be relevant for all issues of Notes, as it details the risk factors which the Issuer deems to be material in respect of all Notes issued under the Programme. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes.</i>
(5) Risks relating to the Warrants	All Warrants only	This sub-section will be relevant for all issues of Warrants as it details the risk factors which the Issuer deems to be material in respect of all Warrants issued under the Programme. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Warrants.</i>
(6) Risks relating to Emerging Markets	Notes and Warrants linked to Reference Assets/securities underlying Reference Indices which are: listed in an emerging markets country; and/or issued by an entity incorporated in an emerging markets country and/or located in an emerging market and/or settled in an emerging market currency and Notes and Warrants denominated and/or settled in an emerging markets currency.	This sub-section will be relevant for all issues of (i) Notes and Warrants linked to Reference Assets/securities underlying Reference Indices which are: listed in an emerging markets country; and/or issued by an entity incorporated in an emerging markets country and/or located in an emerging market and/or settled in an emerging market currency; and (ii) Notes and Warrants denominated and/or settled in an emerging market currency.  <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes or Warrants linked to Reference Assets/securities underlying Reference Indices which are: listed in an emerging markets country; and/or issued by an entity incorporated in an emerging markets country and/or located in an emerging market and/or settled in an emerging markets currency and Notes or Warrants</i>

Name of sub-section	Applicable to	Explanation
		<i>denominated and/or settled in an emerging markets currency.</i>
(7) Risks relating to Equity/Index-Linked Notes and Warrants	Notes and Warrants linked to (i) one security or a basket of securities (including shares, depository receipts, funds (including exchange traded funds), exchange-traded bonds (including exchange-traded convertible bonds)) (" <b>Equity-Linked Notes and Warrants</b> "; or (ii) linked to one or more indices (" <b>Index-Linked Notes and Warrants</b> ").	This sub-section will be relevant for all issues of Equity-Linked Notes and Warrants and Index-Linked Notes and Warrants. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Equity-Linked Notes or Warrants and Index-Linked Notes or Warrants.</i>
(8) Risks relating to Preference Share-Linked Notes	Notes linked to the performance of one or more Preference Shares.	This sub-section will be relevant for all issues of Notes linked to the performance of one or more Preference Shares. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes linked to the performance of one or more Preference Shares.</i>
(9) Risks relating to Commodity/Commodity Index-Linked Notes and Warrants	Notes and Warrants linked to the performance of one or more commodities or commodity indices.	This sub-section will be relevant for all issues of Notes and Warrants linked to the performance of one or more commodities or commodity indices. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes or Warrants linked to the performance of one or more commodities or commodity indices.</i>
(10) Risks relating to Interest Rate-Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants	Notes and Warrants linked to interest rates, inflation rates or similar variables.	This sub-section will be relevant for all issues of Notes and Warrants linked to interest rates, inflation rates or similar variables. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes or Warrants linked to interest rates, inflation rates or similar variables.</i>
(11) Risks relating to Currency-Linked Notes and Warrants	Notes and Warrants linked to foreign exchange rates.	This sub-section will be relevant for all issues of Notes and Warrants linked to foreign exchange rates. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of Notes or Warrants linked to foreign exchange rates.</i>
(12) Risks relating to Credit-Linked Warrants to which Part F – Product	Warrants linked to the credit of one or more entities and to which Part F – Product	This sub-section will be relevant for all issues of Warrants linked to the credit of one or more entities for which Part F – Product Supplement for Credit-Linked Warrants

Name of sub-section	Applicable to	Explanation
Supplement for Credit-Linked Warrants applies	Supplement for Credit-Linked Warrants applies.	applies. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of such Warrants.</i>
(13) Risks relating to Credit-Linked Notes to which Part G – Product Supplement for Credit-Linked Notes applies	Notes linked to the credit of one or more entities and to which Part G – Product Supplement for Credit-Linked Notes applies.	This sub-section will be relevant for all issues of Notes linked to the credit of one or more entities for which Part G – Product Supplement for Credit-Linked Notes applies. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of such Notes.</i>
(14) Risks relating to Fund-Linked Notes and Warrants to which Part H – Product Supplement for Fund-Linked Notes and Warrants applies	Notes linked to the performance of one or more funds and to which Part H – Product Supplement for Fund-Linked Notes applies.	This sub-section will be relevant for all issues of Notes and Warrants linked to the performance of one or more funds. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of such Notes or Warrants.</i>
(15) Risks relating to Pass-through Notes to which Part I – Product Supplement for Emerging Market Pass-through Notes applies	Notes linked to the performance of an emerging market reference entity or reference obligation, or a portfolio of emerging market reference entities or reference obligations and to which Part I – Product Supplement for Emerging Market Pass-through Notes applies.	This sub-section will be relevant for all issues of Notes linked to the performance of an emerging market reference entity or reference obligation, or a portfolio of emerging market reference entities or reference obligations. <i>In addition, risk factors from the other sub-sections may be relevant to an issue of such Notes.</i>
(16) Additional risks relating to Alternative General Conditions Notes	Alternative General Conditions Notes only	This sub-section will be relevant for all issues of Alternative General Conditions Notes. <i>In addition, risk factors from the above sub-sections may be relevant to an issue of Alternative General Conditions Notes.</i>

**(1) Risks relating to Notes and Warrants issued by HBME only**

***Risks relating to enforcement***

Investors may experience some difficulty in enforcing arbitration awards and foreign judgments against HBME in the DIFC

The payments under the Notes and Warrants are dependent upon HBME making payments to the investors in the manner contemplated under the Notes and Warrants. If HBME fails to do so, it may be necessary to bring an action against HBME to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming. HBME's place of incorporation and head office is the DIFC and a substantial portion of the assets of HBME are located in the UAE and a number of other jurisdictions outside the UK.

Each of the Issuing and Paying Agency Agreement, Deed of Covenant, the Master Note Issuance Agreement and the Notes (as defined herein) and the Warrant Agency Agreement, Deed of Covenant, the Master Warrant Issuance Agreement and the Warrants (as defined herein) (the "**English Law Documents**") are governed by English law and (subject to the exercise of an option to litigate given to certain parties (other than HBME)) the parties to the English Law Documents have agreed to refer any dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA (the "**LCIA Rules**"). The seat of such arbitration shall be London, England. Pursuant to an option to litigate given to certain parties, HBME has agreed to submit to the jurisdiction of the courts of England in respect of any dispute arising out of or in connection with the English Law Documents.

Pursuant to Article 13 of the DIFC Law No. 10 of 2005 (as amended and restated) (Law relating to the application of DIFC Laws) (Amended and Restated) (the "**Application Law**"), the parties' express submission to both arbitration and to the jurisdiction of the English courts should be effective, subject to the courts of the DIFC's (the "DIFC Courts"), interpretation of Article 5A(1) and 5A(2) of Dubai Law No. 12 of 2004 (as amended) (Law of the Judicial Authority at the DIFC) (the "**Judicial Authority Law**"). In particular, Article 5A(1)(e) of the Judicial Authority Law provides the DIFC Courts with jurisdiction to ratify foreign arbitral awards. However, notwithstanding Article 13 of the Application Law, it is not free from doubt that the DIFC Courts would not seek to re-examine the merits of a case.

In addition, Article 24 of the DIFC Court Law No. 10 of 2004 (as amended) (the "**DIFC Court Law**") provides that, pursuant to Article 7 of the Judicial Authority Law, the DIFC Court of First Instance has jurisdiction to ratify any judgment, order or award of any recognised: (i) foreign court; (ii) Dubai or UAE court; (iii) DIFC or foreign (including the UAE) arbitral award or any award recognised by the DIFC Court Law; or (iv) orders for the purposes of any subsequent application for enforcement in the Dubai courts in the manner prescribed in DIFC law. Article 42(1) of the DIFC Court Law provides that judgments, orders or awards issued or ratified by the DIFC Courts may be enforced within the DIFC in the manner prescribed in the DIFC Rules of Court and Article 42(2) of the DIFC Court Law provides that judgments, orders or awards issued or ratified by the DIFC Courts may be enforced outside the DIFC in accordance with the Judicial Authority Law. Although there is no clear guidance on what is a "recognised foreign court", an English court judgment has been ratified recently within the DIFC against the contract counterparty. In addition, Article 24(2) of the DIFC Court Law provides that where the UAE has entered into an applicable treaty for the mutual enforcement of judgments, orders or awards, the DIFC Court of First Instance will comply with the terms of such a treaty. Although the UAE has not yet entered into such a bilateral enforcement treaty with England, on 23 January 2013, the Chief Justice of the DIFC Courts and the Judge in Charge of the U.K. Commercial Court of the Queen's Bench Division, England and Wales (the "**Commercial Court**") entered into a Memorandum of Guidance (the "**Memorandum of Guidance**") setting out their understanding of the procedures for the enforcement of the DIFC Courts' money judgments in the Commercial Court and vice versa. The Memorandum of Guidance is expressed to have no binding legal effect and does not constitute a bilateral enforcement treaty or legislation (and therefore is not binding on the judges of either party and does not supersede any existing laws, judicial decisions or court rules) but it may provide useful insight into the position that is likely to be adopted by the DIFC Courts when enforcing monetary judgments issued by the Commercial Court. It remains to be seen how the DIFC Courts will in practice apply the Memorandum of Guidance.

However, the UAE is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") and the DIFC Court of First Instance should therefore recognise a foreign arbitral award if it complies with the requirements of the New York Convention without re-examining the merits of the case. The DIFC Law No. 1 of 2008 (the "**Arbitration Law**") provides that an arbitral award, irrespective of the State or jurisdiction in which it was made, shall be recognised as binding within the DIFC and, upon application in writing to the DIFC Courts, shall be enforced. However, Article 44 of the Arbitration Law provides a number of grounds upon which the recognition or enforcement of an arbitral award may be refused by the DIFC Courts for procedural irregularities and fundamental failings in the arbitral process, including where the DIFC Courts finds that the subject-matter of the dispute would not have been capable of settlement by arbitration under the laws of the DIFC or the enforcement of the award would be contrary to the public policy of the UAE. How the New York Convention provisions would be interpreted and applied by the DIFC Courts in practice and whether the DIFC Courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested.

Accordingly, the grounds upon which DIFC Courts may decline to enforce any judgment, order or award of the English courts or any awards by the LCIA, as the case may be, against HBME are still unclear.

Further, some remedies available under the laws of England and Wales may not be upheld in the DIFC Courts on the basis that such remedies may amount to a penalty.

### ***Risks relating to enforcement proceedings in the United Arab Emirates***

Under the terms and conditions of the Notes and Warrants, the courts of England have jurisdiction to settle disputes arising from the Notes and Warrants. Where proceedings to enforce an English judgment in the UAE are contemplated, under current UAE law, the courts of the UAE are unlikely to enforce such a judgment without re-examining the merits of the claim. Investors should be aware that there could be practical difficulties in bringing enforcement proceedings against HBME in the UAE.

## **(2) Risks relating to Notes and Warrants issued by HBEU only**

### ***Applicable Bank Resolution Powers***

The EU Bank Recovery and Resolution Directive (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**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 United Kingdom the Banking Act 2009 (the "**Banking Act**") implements the provisions of the BRRD.

### ***Statutory Intervention Powers***

HBEU is subject to the Banking Act which gives wide powers in respect of UK banks and their parent and other group companies to HM Treasury, the Bank of England, the Prudential Regulation Authority and the United Kingdom Financial Conduct Authority (each a "**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 the Notes and Warrants issued by HBEU under the Programme), 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 Bank of England); (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.

### ***Power to reduce Noteholders' and Warranholders' claims***

The powers granted to the relevant UKRA also include powers to vary or extinguish the claims of certain creditors. These powers include a "bail-in" power.

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 the Notes and/or Warrants) of a failing financial institution or its holding company, to convert certain debt claims (which could be amounts payable under the Notes and/or Warrants) into another security, including ordinary shares of the surviving entity, if any and/or to amend or alter the terms of such claims, including the maturity of the Notes or the expiry of the Warrants or amendment of the amount of interest payable on the Notes, 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) eligible senior claims. The claims of some creditors whose claims would rank equally with those of the Noteholders and/or Warranholders may be excluded from bail-in. The impact of bail-in on the Noteholders and/or Warranholders will be greater the more of such creditors there are.

Although the exercise of 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 HBEU or not directly related to HBEU) which the relevant UKRA would consider in deciding whether to exercise such power with respect to HBEU and its securities (including the Notes or the Warrants). Moreover, as the relevant UKRA may have considerable discretion in relation to how and when it may exercise such power, holders of HBEU's securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of power and consequently its potential effect on HBEU and its securities.

### ***Powers to direct restructuring of HBEU and its subsidiaries***

As well as 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 or expiry date and/or any interest payment date of debt instruments, securities or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinue the listing and admission to trading of debt instruments or securities.

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

Moreover, trading behaviour in relation to the securities of HBEU (including the Notes and Warrants), 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 Notes and Warrants 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 Notes or Warrants, the market value of the Notes or Warrants and/or HBEU's ability to satisfy its obligations under the Notes and Warrants.

Although the BRRD 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. Accordingly, it is unlikely that investors in the Notes or Warrants will benefit from such support even if it were provided.

### **(3) Risks relating to all issues of Notes and Warrants"**

(3) The risk factors entitled "Applicable Bank Resolution Powers", "Statutory Intervention Powers", "Power to reduce Noteholders' and Warranholders' claims" and "Powers to direct restructuring of the Issuer and its subsidiaries" on pages A-12 to A-14 of the Offering Memorandum are deleted.

(4) The first sentence of the risk factor entitled "Early Redemption for Taxation Reasons" on page A-6 of the Offering Memorandum is deleted and replaced with the following:

"The Noteholders are subject to the risk that the Issuer may terminate its obligations under the Notes if the Issuer determines that it would be required to gross-up payments to the holders following a withholding or deduction required by law of taxes, duties, assessments or governmental charges imposed or levied by or on behalf of the Relevant Jurisdiction."

(5) The first sentence of the risk factor entitled "Change of law" on page A-12 of the Offering Memorandum is deleted and replaced with the following:

"The Conditions of the Notes and the Conditions of the Warrants are based on English law and relevant tax law in effect as at the date of this Offering Memorandum."

(6) The third paragraph of the risk factor entitled "Taxation and other charges in relation to the Notes and Warrants" on page A-18 of the Offering Memorandum is deleted and replaced with the following:

"Under the terms and conditions of the Notes all payments and deliveries will be subject to any fiscal or other laws and regulations in the place of payment and Noteholders may be responsible for paying, or suffer a deduction for, any applicable duties, taxes or other charges imposed by such laws and regulations, subject only to the Issuer's obligation to gross-up in relation to certain taxes imposed by the Relevant Jurisdiction under Condition 8A (*Taxation - Gross-up*). This gross-up obligation is applicable provided Condition 8B (*Taxation - No gross-up*) is not specified as applying to a Series of Notes and is subject to a number of exceptions and covers only certain withholdings and deductions on account of taxes imposed by the Relevant Jurisdiction; in particular, it does not cover stamp duty, stamp duty reserve tax and/or similar transfer taxes."

(7) The first sentence of the risk factor entitled "Notes may be redeemed prior to maturity" on page A-23 of the Offering Memorandum is deleted and replaced with the following:

"In the event that the Issuer would be obliged to increase the amounts payable in respect of any Tranche of Notes due to any withholding or deduction for or on account of tax imposed by the Relevant Jurisdiction, the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes."

(8) The final paragraph of the risk factor entitled "Notes subject to optional redemption by the Issuer" on page A-24 and A-25 of the Offering Memorandum is deleted and replaced with the following:

"Where Notes of any Series qualify in whole or in part towards the Issuer's minimum requirements for own funds and eligible liabilities, and if such Notes are redeemable prior to maturity at the Issuer's option, pursuant to the Statement of Policy of the Bank of England set out in "*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)*" dated June 2018 HBEU may not, unless the Bank of England has approved such optional early redemption, exercise its option to redeem such Notes prior to maturity if, prior to such optional early redemption, HBEU is, or following such optional early redemption HBEU would be, in breach of its minimum requirements for own funds and eligible liabilities. Further, under Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012 (as amended, supplemented or replaced from time to time, the "**CRR**"). HBEU will be required to obtain the prior permission of the Prudential Regulatory Authority (for capital instruments) or the Bank of England (for non-capital eligible liabilities) to effect the call, redemption, repayment or repurchase of any Notes which count towards the Issuer's minimum requirements for own funds and eligible liabilities ("**MREL**") prior to their scheduled maturity."

(9) The risk factor entitled "Potential conflicts of interest" on page A-57 of the Offering Memorandum is deleted and replaced with the following:

"HBEU as Calculation Agent or HBEU or HBME (as applicable) as Issuer will be entitled to make certain determinations and actions and exercise certain discretions under the Credit Linked Conditions including (*inter alia*) as to whether an event constituting a Credit Event has occurred. HBEU or HBME may also be a Quotation Dealer from which the Calculation Agent may request quotations for the purposes of determining the price of the Valuation Obligation(s) of a Reference Entity following the occurrence of a Credit Event, which may affect the level of any cash amount payable under the Notes in relation to such Credit Event. As a result, potential conflicts of interest may exist between HBEU or HBME and the Noteholders. Neither HBEU, in its capacity as Calculation Agent or Issuer nor HBME, in its capacity as Issuer acts as fiduciary for or as an adviser to any of the Noteholders in respect of any such or otherwise."

#### ANNEX 4

(1) Paragraphs (a) and (b) of the "*Incorporation by Reference*" section on page A-67 of the Offering Memorandum are deleted and replaced with the following (with the numbering of the following subparagraphs of the "*Incorporation by Reference*" section being adjusted accordingly):

"

- (a) the 2018 Annual Report and Accounts of HBEU and its subsidiaries for the year ended 31 December 2018 (the "**2018 HBEU Annual Report and Accounts**");
- (b) the 2017 Annual Report and Accounts of HBEU and its subsidiaries for the year ended 31 December 2017, other than the section entitled "*Structural Reform*" on pages 16 to 18 of the Annual Report and Accounts (the "**2017 HBEU Annual Report and Accounts**");
- (c) the 2018 Annual Report and Accounts of HBME and its subsidiaries for the year ended 31 December 2018 (the "**2018 HBME Annual Report and Accounts**");
- (d) the 2017 Annual Report and Accounts of HBME and its subsidiaries for the year ended 31 December 2017 (the "**2017 HBME Annual Report and Accounts**" and, together with the 2018 HBEU Annual Report and Accounts, 2017 HBEU Annual Report and Accounts and 2018 HBME Annual Report and Accounts, the "**Financial Information**");"

(2) The last two paragraphs on page A-68 of the "*Incorporation by Reference*" section in the Offering Memorandum are deleted and replaced with the following:

"save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Offering Memorandum is prepared modifies or supersedes such statement. Any documents incorporated by reference in the Registration Document or the Financial Information does not form part of this Offering Memorandum. To the extent that only certain parts of the above documents are specified to be incorporated by reference herein, the non-incorporated parts of such documents are either not relevant for investors or covered elsewhere in this Offering Memorandum.

Each Issuer will at its registered office and at the offices of the Principal Paying Agent and Principal Warrant Agent make available for inspection during normal business hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Offering Memorandum (or any document incorporated by reference in this Offering Memorandum and any future filings or financial statements published by such Issuer). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent or the Principal Warrant Agent. Additionally, this Offering Memorandum and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Issuance programmes'). For the avoidance of doubt, any websites referred to in this Offering Memorandum or any information appearing on such websites and pages do not form part of this Offering Memorandum."

## ANNEX 5

The following new section entitled "HSBC Bank plc" is inserted following the "Incorporation by Reference" section of the Offering Memorandum:

### **"HSBC BANK PLC**

A description of HBEU is set out in the section entitled "*The Issuer and its Subsidiary Undertakings*" on pages 21 to 26 of the Registration Document (as defined in the section headed "*Incorporation by Reference*" above)."

## ANNEX 6

The following new section entitled "HSBC Bank Middle East Limited" is inserted before the "Clearing and Settlement" section of the Offering Memorandum:

### "HSBC BANK MIDDLE EAST LIMITED

#### History and Development of HBME

HBME is a company limited by shares incorporated in the DIFC in Dubai, UAE under registration number 2199. The liability of its members is limited. It has its registered office and head office at Level 1, Building No. 8, Gate Village, DIFC, P.O. Box 502601, Dubai, UAE and its telephone contact number is +971 4 423 5607. HBME is lead regulated by the DFSA and, when issuing Notes and Warrants through one of its branches, is also regulated for those purposes by the relevant local regulators of the relevant branch.

HBME was originally established as The Imperial Bank of Persia in the United Kingdom in September 1889. In the early 1940s, HBME pioneered banking in the Gulf States, with the sector going on to play a vital role in the development of the oil industry in the Middle East. Branches were opened in Kuwait (1942), Bahrain (1944), Dubai (1946), Muscat (1948) and elsewhere in the Middle East. In 1959, HBME became a member of the HSBC Group when it was acquired by The Hongkong and Shanghai Banking Corporation Limited.

HBME relocated its place of incorporation to Jersey, Channel Islands on 1 July 2003, where it was incorporated as a private limited company. The shareholder of HBME passed a special resolution on 5 October 2004 to re-register it as a public company with limited liability under the Companies (Jersey) Law 1991, as amended, for an unlimited duration. This re-registration was registered with the Registrar of Companies of the Jersey Financial Services Commission on 7 October 2004. On 30 June 2016, HBME's head office and place of incorporation was moved from Jersey to the DIFC and a certificate of continuance for HBME as a company limited by shares was issued by the DIFC Registrar of Companies on the same day.

HBME is a wholly-owned, indirectly held (via an intermediate holding entity) subsidiary of HSBC Holdings, and thereby a member of the HSBC Group. HBME is widely represented in the MENAT region with its head office and place of incorporation located in the DIFC, branches in the UAE, the Abu Dhabi Global Market (the "ADGM"), the State of Qatar, the State of Kuwait, the Kingdom of Bahrain and Algeria and subsidiary undertakings in the UAE, Lebanon and the Kingdom of Morocco. HBME's equity shares are not listed. Under the terms of the Programme, HBME may from time to time issue securities acting through its branches as specified in the applicable Pricing Supplement. As at June 2019, HBME employed 3,824 staff within its head office and branches, and 3 staff within its subsidiaries.

#### Ratings

As of 27 June 2019, HBME has been assigned the following long-term credit ratings:

- A3 (stable) by Moody's Investors Service Limited ("**Moody's**"). This means that Moody's is of the opinion that the obligations of HBME are upper-medium grade and are subject to low credit risk; and
- AA- (negative) by Fitch Ratings Limited ("**Fitch**"). This means that Fitch is of the opinion that HBME has very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

As of 27 June 2019, HBME has also been assigned the following short-term credit ratings:

- P-2 by Moody's. This means that Moody's is of the opinion that HBME (or supporting institutions) have a superior ability to repay short-term debt obligations; and
- F1+ by Fitch. This means that Fitch is of the opinion that HBME has the strongest intrinsic capacity for timely payment of financial commitments.

A rating is not a recommendation to buy, sell or hold securities issued by HBME (or beneficial interests therein), does not address the likelihood of timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations.

### **Legislation**

Both in its jurisdiction of incorporation and generally, HBME is governed by, and is subject to, DIFC Law No. 1 of 2004 as amended and the relevant subsidiary regulations of the DFSA.

In relation to securities issued under the Programme, HBME is subject to primary and secondary legislation relating to financial services and banking regulation in the Republic of Ireland, including, *inter alia*, the listing rules of Euronext Dublin.

### **Principal Business Activities of HBME**

HBME, through its branch network and subsidiary undertakings, provides a range of banking and related financial services for both commercial and retail customers in the DIFC, the ADGM, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait, Algeria and the UAE.

HBME's principal business activities are as follows:

#### ***Retail Banking and Wealth Management***

HBME offers a range of banking and personal financial services, such as current and savings accounts, time deposits, credit cards, mortgages, financial planning services, loans and diverse payment services.

#### ***Private Banking***

HBME offers offshore private banking services through some of its offices within the MENAT region. Working with dedicated HSBC Private Bank offices around the world, HBME facilitates and coordinates the provision of advice and guidance on deposits, securities, portfolios, asset protection (through the formation of trusts and offshore companies) and other investments such as the purchase of international real estate.

#### ***Commercial Banking***

HBME offers a range of products and services to help commercial customers with their banking needs, locally and internationally, such as trade and receivables finance, loans, liquidity management and diverse other services.

#### ***Global Markets***

HBME's Global Markets division offers various treasury, transactional banking, financing, investments, advisory and risk management products and services to its customers, in areas such as foreign exchange, credit, rates and equities and related products such as derivative and structured products.

HBME's hub for treasury services is located in Dubai, UAE and provides support and services to the dealing rooms of its branch network in the MENAT region.

#### ***Global Banking***

As part of the HSBC Group's regional investment banking arm in the MENAT region, HBME has one of the most significant investment banking operations in the region.

HBME offers a range of investment banking services for commercial and institutional clients.

Investment banking services offered include: debt and equity capital markets, corporate finance and advisory, custody and securities dealing services.

#### ***Shariah-compliant Financial Products***

HBME offers wholesale Shariah-compliant financial products to its client base from its UAE operations.

### ***HSBC Group Operations in the MENAT region***

The HSBC Group operates in the MENAT region through a number of consolidated subsidiaries, which includes: HBME, HSBC Bank Egypt S.A.E, HSBC Securities (Egypt) S.A.E., HSBC Bank Oman S.A.O.G., HSBC Bank A.S. Turkey, HSBC Bank Middle East Limited Representative Office Morocco SARL (in liquidation), HSBC Financial Services (Middle East) Limited (in liquidation), HSBC Middle East Finance Company Limited, HSBC Middle East Securities LLC, HSBC Insurance Services (Lebanon) S.A.L. (in liquidation), The Hongkong and Shanghai Banking Corporation Limited Representative Office and HSBC Middle East Leasing Partnership. An associate company of the HSBC Group, The Saudi British Bank, and its subsidiaries, and a joint venture, HSBC Saudi Arabia, also have operations in the Middle East.

HBME also plays an important role in the community by supporting a range of charitable and community projects, principally through the annual Community Investment programme in the MENAT region, an annual donation scheme into which HBME contributed US\$6,670,000 and 13,676 employee volunteering hours (with an estimated value of US\$ 158,592) in 2018.

### ***Organisational Structure***

HSBC is one of the largest banking and financial services organizations in the world. As of 31 December 2018, the HSBC Group had total assets of US\$2,558 billion and total shareholders' equity of US\$186 billion. For the twelve-month period ended on 31 December 2018, its operating profit was US\$17,354 million on total operating income of US\$63,587 million. The HSBC Group is a strongly capitalised banking group with a CRD IV common equity Tier 1 ratio (end-point basis) of 14.0 per cent. as of 31 December 2018.

Headquartered in London, the HSBC Group operates through long-established businesses and has an international network of around 3,800 branches in 66 countries and territories in five geographical regions: Europe, Asia, MENAT, North America and Latin America. Within these regions, a comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients.

The HSBC Group's products and services are delivered to clients through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

Retail Banking and Wealth Management serves approximately 37 million customers worldwide through four main business areas: Retail Banking, Wealth Management, Asset Management and Insurance. The HSBC Group provides Retail Banking and Wealth Management services to individuals under the HSBC Premier and Advance propositions aimed at mass affluent and emerging affluent customers who value international connectivity and benefit from the HSBC Group's global reach and scale. For customers who have simpler everyday banking needs, HSBC's Retail Banking and Wealth Management business selectively offers a full range of banking products and services reflecting local requirements.

The HSBC Group's Commercial Banking business serves approximately 1.7 million customers in 53 countries and territories, which range from small enterprises focused primarily on their domestic markets through to corporates operating globally. The HSBC Group's Commercial Banking business supports its customers with tailored financial products and services to allow them to operate efficiently and to grow. This includes providing customers with working capital, term loans, payment services and international trade facilitation, among other services. The HSBC Group's Commercial Banking business offers its customers expertise in mergers and acquisitions, and provides access to financial markets.

The HSBC Group's Global Banking and Markets business supports major government, corporate and institutional clients worldwide in achieving their long-term strategic goals through tailored and innovative solutions. The HSBC Group's deep sector expertise extends across transaction banking, financing, advisory, capital markets and risk management. The HSBC Group's Global Banking and Markets business serves approximately 4,100 clients in more than 50 countries and territories. The HSBC Group's Global Banking and Markets business continues to deliver a comprehensive range of transaction banking, financing, advisory, capital markets and risk management services.

Global Private Banking serves high net worth individuals and families, including those with international banking needs. The HSBC Group works closely with its clients to provide solutions to grow, manage and preserve wealth. The HSBC Group's Global Private Banking business products and services include: Investment Management, incorporating advisory, discretionary and brokerage services; Private Wealth Solutions, comprising trusts and estate planning, designed to protect wealth and preserve it for future generations; and a full range of Private Banking services.

HBME is the HSBC Group's principal operating subsidiary undertaking in the MENAT region. It is a wholly-owned, indirectly held (via an intermediate holding entity) subsidiary of HSBC Holdings.

As of 27 June 2019, HBME's subsidiary undertakings are:

	<u>Country of Incorporation or registration</u>	<u>HBME's interest in equity capital</u> <i>(per cent.)</i>
HSBC Financial Services (Middle East) Limited (in liquidation)	Dubai, UAE	100
HSBC Middle East Finance Company Limited.....	Dubai, UAE	80
HSBC Middle East Securities LLC .....	Dubai, UAE	100
.....		
HSBC Insurance Services (Lebanon) S.A.L (in liquidation) .....	Lebanon	100
HSBC Bank Middle East Limited Representative Office Morocco SARL (in liquidation) ...	Morocco	99

The countries of operation of HBME's subsidiary undertakings are the same as the countries of incorporation.

In order to comply with local legal requirements, the ownership of the investment in HSBC Middle East Securities LLC is held 49 per cent. in the name of HBME and 51 per cent. in the personal name of Mr Abdul Wahid Al Ulama as nominee. Under a Memorandum of Understanding, the nominee has transferred his legal and/or beneficial interest in HSBC Middle East Securities LLC to HBME.

As at 27 June 2019, HSBC Financial Services (Middle East) Limited is pending dissolution following the submission of a liquidation request with the UAE Ruler's Court (as a Royal Decree Company).

On 9 December 2013, HSBC Insurance Services (Lebanon) SAL, a wholly-owned subsidiary of HBME, went into formal liquidation and remains in liquidation as at 27 June 2019.

As at 27 June 2019, HSBC Bank Middle East Limited Representative Office Morocco SARL is pending liquidation following the submission of a formal written request to Bank Al-Maghrib.

In 2018, HBME established a branch in the ADGM. The license was granted on 31 October 2018 and the purpose of the branch is to provide advisory services (arranging and advising on investment deals) to clients based in Abu Dhabi.

#### **Acquisitions / Disposals**

HBME has not completed any acquisitions or disposals since July 2017.

#### **Authorised Share Capital**

As at 27 June 2019:

- the authorised share capital of HBME is U.S.\$ 1,501,350,000, divided into: 1,500,000,000 ordinary shares of U.S.\$ 1.00 each, 1,125,000 dated preference shares and 225,000 undated preference shares of US\$ 1.00 each; and
- the issued share capital of HBME is US\$ 932,005,001, divided into 931,055,001 ordinary shares of US\$ 1.00 each and 725,000 dated preference shares and 225,000 undated preference shares of US\$ 1.00 each.

## Financial Trend Information

There are no known financial trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on HBME's prospects for the current financial year.

## Management

At 27 June 2019, the Directors of HBME, their functions and their principal outside activities (if any) of significance to HBME, are as follows:

Name	Function within HBME	Principal Outside Activities
David Gordon Eldon	Chairman and Non-Executive Director	<ul style="list-style-type: none"> <li>– Hong Kong Academy for Performing Arts (Special Adviser to the Staff Retirement Benefits Scheme)</li> <li>– The Community Chest (Vice Patron) (Chairman Executive Committee)</li> <li>– Southern Capital Group (Advisor)</li> <li>– HK Institute for the Humanities and Social Science (Honorary Adviser)</li> <li>– Global Institute for Tomorrow (GIFT) (Advisory Council Member)</li> <li>– HSBC Bank Middle East Limited. (Non-Executive Chairman)</li> <li>– DIFC Higher Board (Board Member)</li> <li>– New Lily International Ltd. (Advisor)</li> <li>– Octopus Holdings Limited (Non-Executive Chairman)</li> <li>– Octopus Cards Limited (Non-Executive Chairman)</li> <li>– Octopus Cards Client Funds Limited (Non-Executive Chairman)</li> <li>– HSBC Global Commercial Bank (Adviser to the CEO)</li> <li>– HSBC Bank A.S. (Non-Executive Chairman)</li> <li>– HSBC Bank Egypt S.A.E. (Non-Executive Chairman)</li> <li>– HSBC Middle East Holdings BV (Non-Executive Chairman)</li> </ul>
Raja Easa Al Gurg	Non-Executive Director	<ul style="list-style-type: none"> <li>– Easa Saleh Al Gurg Group LLC (Managing Director and Board Director)</li> <li>– Member of the Board of trustees of Mohammed Bin Rashid Al Maktoum Global Initiatives</li> <li>– Dubai Healthcare City Authority (Vice Chairperson of the Board of Directors and Executive Director)</li> <li>– Dubai Chamber of Commerce and Industry (Board Member)</li> <li>– Dubai Business Woman Council (President)</li> <li>– Dubai Women Association (Board Member)</li> <li>– Mohammad Bin Rashid University of Medicine and Health Sciences (Vice-Chairperson of Board)</li> <li>– Al Jalila Foundation (Chairperson of the Board of Directors)</li> <li>– Member of the Board of trustees of Hamdan Bin Mohammed Smart- University</li> <li>– Emirates Schools Establishment (Board Member)</li> </ul>
David Dew	Non-Executive Director	<ul style="list-style-type: none"> <li>– The Saudi British Bank (Director)</li> </ul>

<b>Name</b>	<b>Function within HBME</b>	<b>Principal Outside Activities</b>
Sir William Charters Patey	Non-Executive Director	<ul style="list-style-type: none"> <li>– HSBC Saudi Arabia</li> <li>– WCP Consultants Limited (Director)</li> <li>– Government and International Affairs Adviser, Control Risks Group</li> <li>– CRT Trustees Limited (Director)</li> <li>– Turquoise Mountain Trust (Trustee)</li> <li>– PACT UK (Trustee)</li> </ul>
Christopher David Spooner	Non-Executive Director	<ul style="list-style-type: none"> <li>– Treasurer and member of the Council of the African Bird Club – a United Kingdom charity supporting bird conservation in Africa</li> <li>– BB 2000 Limited as Finance Director (from December 2015)</li> </ul>
John Bartlett	Non-Executive Director	<ul style="list-style-type: none"> <li>– BP Investment Management Ltd (Director)</li> <li>– Barnardo's a Large United Kingdom Children's Charity (Director)</li> <li>– BP Pension Trustees Ltd (Director)</li> <li>– Heni Publishing Ltd (Director and Consultant)</li> <li>– Pierce Protocols Ltd (Director and Consultant)</li> <li>– Prudence Cuming Associates Ltd (non-executive director and consultant)</li> <li>– Science (UK) Ltd (Director and Consultant)</li> </ul>
Dr. Amina Alrustamani	Non-Executive Director	<ul style="list-style-type: none"> <li>– AW Rostamani Group LLC (Director &amp; Shareholder)</li> <li>– National Election Committee – Federal National Council UAE (Committee Member)</li> </ul>
Neslihan Erkazanci	Chief Financial Officer and Executive Director	<ul style="list-style-type: none"> <li>– HSBC Bank SA (HBTR)</li> </ul>
Martin Tricaud	Deputy Chairman and Executive Director	

The business address for the purposes of correspondence for all the Directors of HBME is Level 1, Building No. 8, Gate Village, DIFC, P.O. Box 502601, Dubai, UAE.

The Company Secretary of HBME is John Alan Tothill, whose business address for the purposes of correspondence is Level 1, Building No. 8, Gate Village, DIFC, P.O. Box 502601, Dubai, UAE.

There are no conflicts of interest between any duties owed to HBME by its Directors or by its Company Secretary (as described above) and their private interests and/or other duties, and no such potential conflicts of interest exist to the knowledge of HBME as at 27 June 2019. HBME has procedures in place to manage any such potential conflicts of interest which may arise from time to time.

### **Major Shareholders**

The whole of the issued ordinary share capital, dated preference share capital and undated preference share capital of HBME is beneficially owned by HSBC Middle East Holdings B.V., HBME's immediate parent shareholder and which is a wholly-owned subsidiary of HSBC Holdings. The appointment of auditors and any changes to the Articles of Continuation of HBME require the approval of HBME's shareholders in a general meeting.

### **Material Contracts**

There are no material contracts that have been entered into in the ordinary course of HBME's business, which could result in any HSBC Group member being under an obligation or entitlement that is material to HBME's ability to meet its obligations to security holders in respect of the securities being issued under the Programme."

## ANNEX 7

(1) The following is inserted on page A-72 of the Offering Memorandum under the first paragraph of the "Taxation" section:

*"The following sections entitled "United Kingdom Taxation – Notes" and "United Kingdom Taxation – Warrants" provide information only on Notes and Warrants issued by HBEU."*

(2) The following shall be inserted on page A-74 of the Offering Memorandum above the heading "Other Taxation Matters – Notes and Warrants":

*"The following sections entitled "United Arab Emirates Taxation" and "Dubai International Financial Centre" provide information only on Notes and Warrants issued by HBME."*

### **United Arab Emirates Taxation**

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Notes and Warrants is based on the taxation law and practice in force at the date of this Offering Memorandum and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and Warrants and the receipt of any payments with respect to such Notes and Warrants under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest and principal to any holder of the Notes and Warrants. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

With effect from 1 January 2018, the federal government implemented a value-added tax ("VAT") regime in the UAE at a rate of 5 per cent as part of a GCC wide agreement. VAT applies on financial and banking services where they are remunerated by way of explicit fees, explicit premiums, late payment fees and commission charges. Certain financial charges are exempt from VAT – however, the exemption is very narrow and limited to spread and margin-based revenues. Under the UAE VAT regime, services provided to clients resident outside the GCC are generally subject to 0 per cent. VAT.

All amounts and payments to HBME in relation to Notes and Warrants issued by it are exclusive of any VAT which may be applicable, and accordingly, if VAT is or becomes chargeable on any supply of services or premiums in relation to such Notes or Warrants and the Issuer is required to account to the relevant tax authority for the VAT, the person(s) receiving such supply (which may include the Noteholders or Couponholders) must pay to the Issuer (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries but these are not extensive in number.

### **Dubai International Financial Centre**

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the "DIFC Law"), entities licensed, registered or otherwise authorised to carry on financial services in the Dubai International Financial Centre and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or

profits or salaries to any party outside the Dubai International Financial Centre. Article 14 of the DIFC Law also provides that it is possible to renew the 50 year period to a similar period upon issuance of a resolution by the Ruler of Dubai. As a result no payments by the Issuer under the Notes or Warrants are subject to any tax in the Dubai International Financial Centre, whether by withholding or otherwise.

(3) The following shall be inserted on Page A-74 of the Offering Memorandum above the heading "Other Taxation Matters – Notes and Warrants":

*"The following sections provide information on Notes and Warrants issued by either HBEU or HBME."*

## ANNEX 8

The "General Information" section on page A-89 of the Offering Memorandum is deleted and replaced in its entirety with the following:

### "GENERAL INFORMATION

1. The continuation of the Programme and the issue of Notes and Warrants under the Programme by HBEU have been authorised by a resolution of the Board of Directors of HBEU passed on 12 February 2019.
2. HBME's accession to the Programme as issuer and the issue of Notes and Warrants by HBME under the Programme have been authorised by a resolution of the Board of Directors of HBME passed on 2 May 2019.
3. The Notes and Warrants have been accepted for clearance through Euroclear and Clearstream, Luxembourg, and may also be accepted for clearance through CREST, DTC, and any other clearing system specified in the applicable Pricing Supplement relating to the Notes or Warrants. The Common Code, the International Securities Identification Number (ISIN), CUSIP and any other identifier and/or code (as applicable) in relation to the Notes and Warrants of each Series will be set out in the relevant Pricing Supplement. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, S.A. is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of CREST is 33 Cannon Street, London EC4M 5SB, UK. The address of DTC is 55 Water Street, New York, New York, NY 10041, United States.
4. Settlement arrangements will be agreed between the relevant Issuer, the relevant Dealer(s) or Manager(s) and the Principal Paying Agent or, as the case may be, the Registrar, the Warrant Registrar, the CREST Registrar or Principal Warrant Agent as applicable.
5. In relation to each Issuer, any transfer of, or payment in respect of, a Note, Warrant, Coupon or Receipt involving (i) any person or body, or the government of any country, who or which is at the relevant time the subject of United Nations, European Union, United Kingdom or United States sanctions or other similar measures implemented or effective in the United Kingdom, (ii) any person or body resident in, incorporated in or constituted under the laws of, or carrying on business in, any such country or exercising public functions in any such country, or (iii) any person or body owned or controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions and may be the target of any such sanctions or other similar measures.
6. Generally, any notice, document or information to be sent or supplied by HBEU to its shareholder(s) may be sent or supplied in accordance with the Companies Act 2006 (the "**Act**") (whether authorised or required to be sent or supplied by the Act or otherwise) in hard copy form or in electronic form. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom HBEU is unable effectively to convene a general meeting by notices sent through the post, subject to the Act, a general meeting may be convened by a notice advertised in at least one United Kingdom national newspaper. Such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the advertisement first appears. In any such case HBEU shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.
7. Notices to the Noteholders or Warranholders are made in accordance with the Conditions of the relevant Notes or Warrants, as applicable.
8. The current auditors of HBME are PricewaterhouseCoopers Limited, DIFC (authorised and regulated by Dubai Financial Services Authority with License no. CL0215) ("**PwC DIFC**") of Al Fattan Currency House, Tower 1, Level 8, Unit 801, DIFC, PO Box 11987, Dubai - United Arab Emirates. PwC DIFC has audited the consolidated financial statements of HBME for the years ended 31 December 2017 and 31 December 2018.

9. There has been no significant change in the financial or trading position of HBEU and its subsidiaries since 31 December 2018 nor any material adverse change in the prospects of HBEU since 31 December 2018.
10. There has been no significant change in the financial or trading position of HBME and its subsidiaries since 31 December 2018 nor any material adverse change in the prospects of HBME since 31 December 2018.
11. Save as disclosed in Note 25 "*Provisions*" on pages 142 to 143, and Note 32 "*Legal proceedings and regulatory matters*" on pages 151 to 154, of the 2018 HBEU Annual Report and Accounts (incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which HBEU is aware) during the 12-month period before the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of HBEU and its subsidiary undertakings.
12. Save as disclosed in Note 24 "*Provisions*" on page 43 and Note 34 "*Legal proceedings and regulatory matters*" on pages 76 - 77 of the 2018 HBME Annual Report and Accounts (incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which HBME is aware) during the 12-month period before the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of HBME and its subsidiary undertakings.
13. For so long as HBEU or HBME may issue securities under this Offering Memorandum, and are admitted to trading on the Global Exchange Market, the physical form of the following documents may be inspected during normal business hours at the registered office of the relevant Issuer:
  - (a) the articles of association of HBEU;
  - (b) the constitutional documents of HBME; and
  - (c) the Financial Information.
14. The relevant Issuer or Dealer may pay to the distributor(s) (which may include affiliates of such Issuer or Dealer) of Notes or Warrants issued under this Offering Memorandum commissions or fees or may offer such Notes or Warrants to the distributor(s) at a discount to the issue price of such Notes or purchase price of such Warrants. Such commissions, fees or discounts will be as such Issuer or Dealer may agree with the distributor(s) from time to time.
15. The Legal Entity Identifier (LEI) code of HBEU is: MP615ZYZBEU3UXPYFY54.
16. The Legal Entity Identifier (LEI) code of HBME is 549300F99IL9YJDWH369."

## ANNEX 9

The sections "*Terms and Conditions of the Notes*" in Part B1 of the Offering Memorandum and "*Alternative Terms and Conditions of the Notes*" in Part B2 of the Offering Memorandum are amended as set out below.

(1) The second, third and fifth paragraphs are deleted and replaced with the following:

"The Notes are issued by HSBC Bank plc ("**HBEU**") or HSBC Bank Middle East Limited ("**HBME**") (together the "**Issuers**" and each an "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**"). The relevant Pricing Supplement (as defined below) will specify which of HBEU or HBME is the "Issuer" in relation to a particular Series of Notes (as defined below). References to "**Issuer**" in these Conditions, shall mean (i) if the Notes to which these Conditions apply are issued by HBEU, HBEU and (ii) if the Notes to which these Conditions apply are issued by HBME, HBME. HBME may issue Notes either through its head office or, if so specified in the relevant Pricing Supplement, a specified branch. Notes issued by HBEU are constituted by, and have the benefit of, a deed of covenant dated on or about 31 May 2019 (the "**HBEU Deed of Covenant**"). Notes issued by HBME are constituted by, and have the benefit of, a deed of covenant dated on or about 27 June 2019 (the "**HBME Deed of Covenant**"). The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as most recently modified, supplemented and/or restated on or about 27 June 2019 (as further modified and/or amended from time to time, the "**Master Note Issuance Agreement**") and made between the Issuers, and HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited and HSBC France as dealers (in this capacity, each a "**Dealer**" and together, the "**Dealers**", which expression shall include any additional or successor Dealer(s)) and an issuing and paying agency agreement dated 24 February 1999 as most recently modified, supplemented and/or restated on or about 27 June 2019 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuers, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Notes if so specified in the relevant Pricing Supplement, which expression includes any successor or other Calculation Agent appointed pursuant to the Issuing and Paying Agency Agreement and specified in the relevant Pricing Supplement), HSBC Bank plc and HSBC Bank USA, National Association as transfer agent (HSBC Bank plc or, as the case may be, HSBC Bank USA, National Association being the "**Transfer Agent**", which expression shall include any successor or other Transfer Agent appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc as the principal paying agent (HSBC Bank plc being the "**Principal Paying Agent**", which expression shall include any successor or other Principal Paying Agent appointed pursuant to the Issuing and Paying Agency Agreement and, together with any additional paying agent appointed pursuant to the Issuing and Paying Agency Agreement or the Computershare Agency Agreement (as defined below), as specified in the relevant Pricing Supplement, the "**Paying Agents**"), HSBC Bank plc as issue agent (HSBC Bank plc being the "**Issue Agent**", which expression shall include any successor or other Issue Agent appointed pursuant to the Issuing and Paying Agency Agreement) and HSBC Bank plc and HSBC Bank USA, National Association as registrar (HSBC Bank plc or, as the case may be, HSBC Bank USA, National Association being the "**Registrar**", which expression shall include any successor or other Registrar appointed pursuant to the Issuing and Paying Agency Agreement), and the other parties specified therein.

In addition, HBEU has entered into an agreement with Computershare Investor Services PLC dated 23 April 2010 (such agreement, as amended and/or supplemented and/or restated from time to time, the "**Computershare Agency Agreement**") appointing the latter as registrar and paying agent (the "**CREST Registrar**", which expression shall include any successor registrar and paying agent) with respect to Uncertificated Registered Notes (as defined below).

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement, the HBEU Deed of Covenant, the HBME Deed of Covenant and the Computershare Agency Agreement are available for inspection by Holders (as defined below) of Notes, and copies of the relevant Pricing Supplement, this Offering Memorandum and any supplement thereto may be obtained in each case during normal business hours at the specified office of the Issuer and of the Paying Agent in London or, in the case of Uncertificated Registered Notes, the CREST Registrar. The Holders (as defined in Condition 2(b) (*Form, Denomination and Title – Bearer Notes*)) for the time being of Notes (the "**Noteholders**", which expression shall, in the case of Bearer Notes, include reference to the Holders of the Coupons appertaining thereto) and of any coupons (the "**Coupons**") or talons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement, the Computershare Agency Agreement, the HBEU Deed of Covenant and the HBME Deed of Covenant."

(2) The following new definitions are inserted in alphabetical order in Condition 1 (*Definitions*):

""**DIFC**" means Dubai International Financial Centre;

""**Relevant Jurisdiction**" means:

- (a) in relation to any Notes issued by HBEU, the United Kingdom; and
- (b) in relation to any Notes issued by HBME, DIFC and/or UAE, as the case may be;

""**UAE**" means the United Arab Emirates;"

(3) Condition 8 (*Taxation*) is deleted and replaced in its entirety with the following:

"8A. ***Taxation - Gross-up***

This Condition 8A will be applicable to all Series of Notes unless it is specified in the relevant Pricing Supplement that Condition 8B (*Taxation - No gross-up*) is applicable.

All payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the Relevant Jurisdiction unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In the event that the Issuer is so required by law to withhold or deduct, it will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders or Couponholders, as the case may be, after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes and/or, as the case may be, Coupons, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of it having some connection with the Relevant Jurisdiction or any other relevant jurisdiction, other than the mere holding of such Note or Coupon;
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non residence or other similar claim for exemption to the relevant tax authorities or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent;
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days;
- (d) in the case of Registered Notes, unless it is proved to the satisfaction of the Registrar that the Holder, immediately upon becoming the Holder, (i) was eligible for the benefits of a tax treaty with the Relevant Jurisdiction or any other relevant jurisdiction that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) was otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional

amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 14 (*Notices*).

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the Relevant Jurisdiction, references in this Condition 8 (*Taxation*) to the Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and/or such other jurisdiction.

Any reference in these Conditions to principal or interest or both in respect of the relevant Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under this Condition 8 (*Taxation*);
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts permitted or required by the rules of IRC Section 871(m), or IRC Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**U.S. Permitted Withholding**"). Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder for any U.S. Permitted Withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of U.S. Permitted Withholding.

**8B. *Taxation - No gross-up***

This Condition 8B will only be applicable to a Series of Notes where it is specified in the relevant Pricing Supplement that Condition 8B (*Taxation - No gross-up*) is applicable.

All payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the Relevant Jurisdiction unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges. **In the event that the Issuer is so required by law to withhold or deduct, the Issuer shall not be required to pay any additional amounts in connection with such withholding or deduction.**"

(4) Condition 21 (*Governing Law*) is deleted and replaced in its entirety with the following:

**"21A. *Governing Law and Jurisdiction in relation to Notes issued by HBEU***

This Condition 21A only applies to Notes issued by HBEU.

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with English law.

(b) **English courts**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Notes (including any Dispute regarding the existence, validity or termination of the Notes or the consequence of their nullity).

**21B. Governing Law and Jurisdiction in relation to Notes issued by HBME**

This Condition 21B only applies to Notes issued by HBME.

(a) The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with English law.

(b) **Arbitration**

Without limiting the rights of the Noteholders under Condition 21B(b), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Notes and the Coupons (if any) (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 21B(b). For these purposes:

- (i) the seat of arbitration shall be London;
- (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (iii) the language of the arbitration shall be English.

(c) **Jurisdiction**

Notwithstanding Condition 21B(b), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to HBME:

- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (ii) in the event no arbitration is commenced,

require that a Dispute be heard by the courts of England. If the Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 21B(c) and, subject as provided below, any arbitration commenced under Condition 21B(b) in respect of that Dispute will be terminated.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

In the event that a notice pursuant to this Condition 21B(c) is issued, the following provisions shall apply:

- (i) the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts; and
- (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) ***Service of Process***

The Issuer agrees that the documents which start any proceedings relating to any Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Company Secretary, HSBC Holdings plc, 8 Canada Square, London E14 5HQ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the specified office of the Principal Paying Agent or, Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, such Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent or, as the case may be, the Paying Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(e) ***Consent***

The Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings."

## ANNEX 10

(1) The following shall be inserted in Part B3 of the Offering Memorandum in the "Subscription and Sale of Notes" section in alphabetical order:

### **"Arab Republic of Egypt**

The Notes have not been and will not be offered, sold or publicly promoted or advertised in Egypt other than in compliance with any laws applicable in Egypt governing the issue, offering and sale of securities.

### **Lebanese Republic**

The marketing, offering, distribution and sale of Notes in the Lebanese Republic shall comply with all applicable laws and regulations in the Lebanese Republic, in particular, those issued by the Lebanese Central Bank and the Capital Markets Authority in Lebanon.

### **State of Kuwait**

No Notes have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The Notes shall not be offered, sold, promoted or advertised in the State of Kuwait other than in compliance with Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

### **State of Qatar (including Qatar Financial Centre)**

The Notes shall not be offered, delivered or sold, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Offering Memorandum has not been reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

### **Sultanate of Oman**

This Offering Memorandum has not been filed with or registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to Article 3 of the Capital Market Law Sultani Decree 80/98, as amended ("**Article 3**"), will not be offered or sold as an offer of securities in the Sultanate of Oman as contemplated by the Oman Commercial Companies Law) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016). The Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended)."

(2) The section entitled "Selling Restrictions Addressing Additional United Kingdom Securities Laws" in Part B3 of the Offering Memorandum in the "Subscription and Sale of Notes" section is deleted and replaced with the following:

"Notes issued by HBME having a maturity of less than one year must not be offered or sold other than to persons (a) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2012 ("**FSMA**") by HBME.

An invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of Notes in circumstances in which section 21(1) of the FSMA does not apply to HBME (in the case of Notes issued by HBME) or would not, if it was not an authorised person, apply to HBEU (in case of Notes issued by HBEU).

All applicable provisions of the FSMA must be complied with in respect of anything done in connection with the Notes in, from or otherwise involving the United Kingdom."

## ANNEX 11

The section "*Terms and Conditions of the Warrants*" in Part C of the Offering Memorandum is amended as set out below.

(1) The second, third, fourth and fifth paragraphs are deleted and replaced with the following:

"The Warrants are issued by HSBC Bank plc ("**HBEU**") or HSBC Bank Middle East Limited ("**HBME**") together the "**Issuers**" and each an "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**"). The relevant Pricing Supplement (as defined below) will specify which of HBEU or HBME is the "Issuer" in relation to a particular Series of Warrants (as defined below). References to "Issuer" in these Conditions shall mean (i) if the Warrants to which these Conditions apply are issued by HBEU, HBEU and (ii) if the Warrants to which these Conditions apply are issued by HBME, HBME. HBME may issue Warrants either through its head office or, if so specified in the relevant Pricing Supplement, a specified branch. The Warrants have the benefit of a warrant agency agreement dated 24 February 1999 as most recently modified, supplemented and/or restated on or about 27 June 2019 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuers, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Warrants, which expression shall include any successor or other Calculation Agent appointed pursuant to the Warrant Agency Agreement and specified in the relevant Pricing Supplement), HSBC Bank plc as principal warrant agent (HSBC Bank plc being the "**Principal Warrant Agent**", which expression includes any successor or other principal warrant agent appointed pursuant to the Warrant Agency Agreement, together with any successor or other warrant agent appointed pursuant to the Warrant Agency Agreement or the Computershare Agency Agreement (as defined below) and specified in the relevant Pricing Supplement (the "**Warrant Agents**")) and HSBC Bank plc as authentication agent (HSBC Bank plc being the "**Authentication Agent**", which expression includes any successor or other authentication agent appointed pursuant to the Warrant Agency Agreement) and HSBC Bank USA, National Association as warrant transfer agent (the "**Warrant Transfer Agent**", which expression includes any successor or other warrant transfer agent appointed pursuant to the Warrant Agency Agreement) and HSBC Bank USA, National Association as warrant registrar (the "**Warrant Registrar**", which expression includes any additional or successor or other warrant registrar appointed in accordance with the Warrant Agency Agreement).

In addition, HBEU has entered into an agreement with Computershare Investor Services PLC dated 23 April 2010 (such agreement, as amended and/or supplemented and/or restated from time to time, the "**Computershare Agency Agreement**") appointing the latter as registrar and paying agent (the "**CREST Registrar**", which expression shall include any successor registrar and paying agent) with respect to Uncertificated Registered Warrants (as defined below) and has entered into a deed of covenant dated on or about 31 May 2019 (such deed, as amended and/or supplemented and/or restated from time to time, the "**HBEU Warrant Deed of Covenant**") for the purposes of constituting Uncertificated Registered Warrants and Warrants in definitive registered form. HBME has entered into a deed of covenant dated on or about 27 June 2019 (such deed, as amended and/or supplemented and/or restated from time to time, the "**HBME Warrant Deed of Covenant**") for the purpose of constituting the Warrants in definitive registered form.

As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed pursuant to the Warrant Agency Agreement or the Computershare Agency Agreement. The Warrants also have the benefit of a master warrant issuance agreement dated 24 February 1999 as most recently modified, supplemented and/or restated on or about 27 June 2019 (as further modified and/or amended from time to time, the "**Master Warrant Issuance Agreement**") and made between the Issuers and, HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited and HSBC France as managers (in this capacity, each a "**Manager**" and together, the "**Managers**", which expression shall include any additional or successor Manager(s)).

Copies of the Master Warrant Issuance Agreement, the Warrant Agency Agreement, the Computershare Agency Agreement, HBEU Warrant Deed of Covenant and the HBME Warrant Deed of Covenant are available for inspection by the Warrantholders (as defined below), and copies of the relevant Pricing Supplement (as defined below), this Offering Memorandum and any supplements thereto may be obtained in each case during normal business hours at the specified offices of the relevant Issuer and the Principal Warrant Agent and the CREST Registrar, respectively. The Warrantholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 5 (*Exercise Procedure*)) of the Master Warrant Issuance Agreement, the Warrant

Agency Agreement, the Computershare Agency Agreement, the HBEU Warrant Deed of Covenant and the HBME Warrant Deed of Covenant."

(2) The following new definitions are inserted in alphabetical order in Condition 1 (*Definitions*):

"**DIFC**" means Dubai International Financial Centre;

"**Relevant Jurisdiction**" means:

- (a) in relation to any Notes issued by HBEU, the United Kingdom; and
- (b) in relation to any Notes issued by HBME, DIFC and/or UAE, as the case may be;

"**UAE**" means the United Arab Emirates;"

(3) Condition 9 (*Taxes*) is deleted and replaced in its entirety with the following:

"

#### 9. **Taxes**

All payments by the Issuer in respect of the Warrants will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the Relevant Jurisdiction unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In the event that the Issuer is so required by law to withhold or deduct, it shall not be obliged to pay any additional amounts to the Warranholders.

A Warranholder subscribing for, purchasing or exercising Warrants shall be responsible for paying all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrants and the Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

In any case where the Issuer is obliged to pay any such tax, duty or charge, the relevant Warranholder shall promptly reimburse the Issuer therefor.

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the Relevant Jurisdiction, references in this Condition 9 (*Taxes*) to the Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and/or such other jurisdiction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts permitted or required by the rules of IRC Section 871(m), or IRC Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**U.S. Permitted Withholding**"). Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder for any U.S. Permitted Withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of U.S. Permitted Withholding."

(4) Condition 16 (*Governing Law*) is deleted and replaced in its entirety with the following:

#### "16A. **Governing Law and Jurisdiction in relation to Warrants issued by HBEU**

This Condition 16A only applies to Warrants issued by HBEU.

##### (a) ***Governing law***

The Warrants and any non-contractual obligations arising out of or in connection with the Warrants are governed by and shall be construed in accordance with English law.

(b) **English courts**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Warrants (including any Dispute regarding the existence, validity or termination of the Warrants or the consequence of their nullity).

**16B. Governing Law and Jurisdiction in relation to Warrants issued by HBME**

This Condition 16B only applies to Warrants issued by HBME.

(a) **Governing law**

The Warrants and any non-contractual obligations arising out of or in connection with the Warrants are governed by and shall be construed in accordance with English law.

(b) **Arbitration**

Without limiting the rights of the Warranholders under Condition 16B(c), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Trust Deed, the Warrants (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 16B(b). For these purposes:

- (i) the seat of arbitration shall be London;
- (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (iii) the language of the arbitration shall be English.

(c) **Jurisdiction**

Notwithstanding Condition 16B(b), any Warranholder may, in the alternative, and at its sole discretion, by notice in writing to HBME:

- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (ii) in the event no arbitration is commenced,

require that a Dispute be heard by the courts of England. If the Warranholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 16B(c) and, subject as provided below, any arbitration commenced under Condition 16B(b) in respect of that Dispute will be terminated.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, or the relevant Warranholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

In the event that a notice pursuant to this Condition 16B(c) is issued, the following provisions shall apply:

- (i) the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts; and
  - (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) ***Service of Process***

The Issuer agrees that the documents which start any proceedings relating to any Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Company Secretary, HSBC Holdings plc, 8 Canada Square, London E14 5HQ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Warranholder addressed and delivered to the Issuer or to the specified office of the Principal Paying Agent or, Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, such Warranholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent or, as the case may be, the Paying Agent. Nothing in this paragraph shall affect the right of any Warranholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

- (e) ***Consent***

The Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings."

## ANNEX 12

(1) The following shall be inserted in Part C of the Offering Memorandum in the "Purchase and Sale of Warrants" section in alphabetical order:

### **"Arab Republic of Egypt**

The Warrants have not been and will not be offered, sold or publicly promoted or advertised in Egypt other than in compliance with any laws applicable in Egypt governing the issue, offering and sale of securities.

### **Lebanese Republic**

The marketing, offering, distribution and sale of Warrants in the Lebanese Republic shall comply with all applicable laws and regulations in the Lebanese Republic, in particular, those issued by the Lebanese Central Bank and the Capital Markets Authority in Lebanon.

### **State of Kuwait**

No Warrants have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The Warrants shall not be offered, sold, promoted or advertised in the State of Kuwait other than in compliance with Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Warrants is being made in the State of Kuwait, and no agreement relating to the sale of the Warrants will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Warrants in the State of Kuwait.

### **State of Qatar (including Qatar Financial Centre)**

The Warrants shall not be offered, delivered or sold, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Offering Memorandum has not been reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

### **Sultanate of Oman**

This Offering Memorandum has not been filed with or registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to Article 3 of the Capital Market Law Sultani Decree 80/98, as amended ("**Article 3**"), will not be offered or sold as an offer of securities in the Sultanate of Oman as contemplated by the Oman Commercial Companies Law) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016). The Warrants have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Warrants has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended)."

(2) The section entitled "Selling Restrictions Addressing Additional United Kingdom Securities Laws" in Part C of the Offering Memorandum in the "Purchase and Sale of Warrants" section is deleted and replaced with the following:

"An invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2012 ("**FSMA**")) may only be communicated or caused to be communicated in connection with the issue or sale of Warrants in circumstances in which section 21(1) of the FSMA does not apply to HBME (in the case of Warrants issued by HBME) or would not, if it was not an authorised person, apply to HBEU (in case of Warrants issued by HBEU).

All applicable provisions of the FSMA must be complied with in respect of anything done in connection with the Warrants in, from or otherwise involving the United Kingdom."

## ANNEX 13

Each of the pro forma pricing supplements listed below (the "**Pro Forma Pricing Supplements**") is amended as set out in this Annex 11:

- *Pro forma* Pricing Supplement for Notes – in Part B1 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Notes (Alternative Note General Conditions) – in Part B2 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Warrants – in Part C of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Equity-Linked Notes and Index-Linked Notes – in Part D1 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Preference Share-Linked Notes – in Part D1 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Equity-Linked Notes and Index-Linked Notes (Alternative Note General Conditions) – in Part D2 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Equity-Linked Warrants and Index-Linked Warrants – in Part D3 of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Commodity/Commodity Index-Linked Notes – in Part E of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Commodity/Commodity Index-Linked Warrants – in Part E of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Credit-Linked Warrants – in Part F of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Credit-Linked Notes – in Part G of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Fund-Linked Notes – in Part H of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Fund-Linked Warrants – in Part H of the Offering Memorandum.
- *Pro forma* Pricing Supplement for Emerging Market Pass-through Notes – in Part I of the Offering Memorandum.

The Pro Forma Pricing Supplements are amended as follows:

(1) the heading "HSBC Bank plc" is deleted and replaced with the following:

**"[HSBC Bank plc / HSBC Bank Middle East Limited]"**

(2) paragraph 1 is deleted and replaced with the following:

- "1. Issuer: [HSBC Bank plc] [HSBC Bank Middle East Limited, acting through its [DIFC head office]/ [[Dubai]/[other] branch]. [The Issuer is lead regulated by the Dubai Financial Services Authority]/[The Issuer is regulated for these purposes by [the Central Bank of the UAE]/[other] and lead regulated by the Dubai Financial Services Authority.]"

(3) the signature block is deleted and replaced with the following:

**"CONFIRMED**

**[HSBC BANK PLC**

By: .....  
*Authorised Signatory*

Date: ..... ]

**[HSBC BANK MIDDLE EAST LIMITED**

By: .....  
*Authorised Signatory*

Date: .....

By:.....  
*Authorised Signatory*

Date: ..... ]"