



## HSBC UK BANK PLC

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

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

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

## CONTENTS

	Page
RISK FACTORS .....	1
IMPORTANT NOTICES .....	26
DOCUMENTS INCORPORATED BY REFERENCE .....	27
THE ISSUER AND ITS SUBSIDIARIES .....	28
DIRECTORS OF THE ISSUER .....	31
GENERAL INFORMATION .....	34

## RISK FACTORS

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

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

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

### **Risks Relating to the Group**

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

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

##### **1. Economic and market conditions and geopolitical developments may adversely affect the Group's financial condition and results**

The Group's earnings are affected by global and local economic, financial and geopolitical changes.

Uncertain economic conditions and volatile markets can create a challenging operating environment for the Group's business operations.

The Group has past experience of financial and operational loss sustained as a consequence of the economic cycle and financial crises. The Group's earnings, operations and operating model have been and could be affected in future by the following factors:

- The economic cycle: Deteriorating business, consumer or investor confidence and lower levels of investment and productivity growth may lead to economic recession and lower customer and client activity. Rapid changes to the economic environment can also create challenging operating conditions for financial institutions such as the HSBC Group and may affect the Group's earnings and profits. A key source of uncertainty for 2025 and beyond comes from the ongoing shift in economic and financial policies which has been and is expected to continue to be implemented by the United States ("**U.S.**") administration. The recent introduction of trade barriers and tariffs on foreign imports by the U.S., potential further tariffs that the U.S. government may impose and other countries' retaliatory responses are likely to have significant consequences for the global growth outlook, global trade and supply chains, and may result in lower trade volumes, investment and consumer spending, higher inflation and affect interest rate expectations;
- Inflation and monetary policy: The combined pressure of tariffs, inflation and high interest rates can have material impacts on the Group's customers as these factors would erode real purchasing power and increase debt service costs. Higher interest rates may affect the credit rating of the Group's customers and their ability to repay debt. This could negatively impact the Group's risk-weighted assets ("**RWAs**") and capital position, resulting in increases in expected credit losses and other impairment charges ("**ECL**") and potential liquidity stresses due to, amongst other factors, increased customer drawdowns. There could be further adverse impacts on the Group's income if higher rates were to result in lower lending volumes and weaker wealth and insurance revenue. In the UK, high headline inflation continued to subside throughout 2024 and major central banks, including the

Bank of England ("**BoE**") enacted monetary easing in the second half of 2024. However, uncertainty over the trajectory of U.S. economic and trade policies, specifically around additional trade barriers and/or tariffs and immigration has shifted the balance of risks around inflation and the future interest rate trajectory and may affect future global growth. Moreover, increases in the cost of living as a result of, among other things, rising energy costs, high interest rates, inflation, increases in tax and national insurance contributions and other similar factors may continue to have an adverse impact on the ability of customers to repay mortgages, loans and other forms of borrowing;

- Financial stability: Changing economic conditions and shifting policy create a more uncertain and volatile environment for asset markets. Accommodative financial conditions in the aftermath of the Covid-19 pandemic may have increased vulnerabilities given the rise in asset price valuations and the increase in debt levels. Changes to asset prices can adversely affect the Group by increasing the financial vulnerability of customers and decreasing the value of collateral and other claims;
- Fiscal policy and high levels of government debt: Through the Covid-19 pandemic period, government debt levels across developed markets, including the UK, increased sharply, and in many cases left growth and employment dependent on continued deficit spending. Against a backdrop of high interest rates, a high level of public debt issuance and U.S. dollar volatility, a rise in borrowing costs could increase the financial strains on highly leveraged corporates and households, while higher borrowing costs than in recent years could reduce the affordability of debt and may eventually bring into question its sustainability for some corporates and households. Where the Group has exposures to such parties, it could incur losses. At the same time, external sovereign ratings downgrades and/or a disorderly increase in long-term government funding costs, could increase the cost of funding for the Group and/or limit access to market funding, resulting in an adverse impact on interest margins and liquidity; and
- Geopolitical risks: Geopolitical risks remain high. The disruption of key supply routes, particularly through the Red Sea continues to impact global supply cost. Escalation, resurgence or other changes in the Russia-Ukraine war and the conflict in the Middle East could impact economic activity in the regions, or globally, for a prolonged period which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings (for further details see "*The Group is subject to political, social and other risks*").

Adverse changes to the current economic, financial and geopolitical situation including in relation to any of the factors listed above, could result in:

- Idiosyncratic losses: The Group's impairment estimates attempt to capture the effects of economic, financial and geopolitical risks in the aggregate, but credit losses on specific exposures, with idiosyncratic features that make them particularly susceptible to the risks described above, may not be fully captured in the Group's impairment estimates;
- Sector-wide impairment: Changing economic conditions, policies and funding costs may give rise to a deterioration in specific industries and sectors. In addition, certain sectors are being and may be targeted by material increases in trade tariffs, with industry wide implications;
- Reduced credit demand: The demand for borrowing from creditworthy customers may diminish during periods of recession or where economic activity slows or remains subdued;
- A tightening of financial market conditions: The Group's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption; and
- Goodwill and intangibles: A changing economic and geopolitical outlook may change the recoverable value of assets and necessitate a write down in the value of intangible balance sheet items such as goodwill.

Provisioning against credit loss is conducted under the IFRS 9 'Financial Instruments' ("**IFRS 9**") calculations of ECL, which use forward looking scenarios that incorporate the economic and financial risks detailed above. In the fourth quarter of 2024, to address heightened policy uncertainty following the U.S. election and to overcome any lags in consensus forecasts, an adjustment factor based on more recent views of expected tariffs and other policy changes was modelled and then applied to each of the economic scenarios. The effect was to lower growth expectations in the UK, while the impact on inflation and interest rates was varied. The Group's Central scenario, which has the highest probability weighting, assumes that GDP growth in the UK will be slower in 2025 relative to 2024. The slowdown is assumed to follow from the increase in global tariff rates, which impede trade flows, weaken consumption and deter investment. The scenario also assumes that the BoE is expected to slow the pace of interest rate reductions in 2025 as a result as inflation converges towards the BoE's targets.

However, forecasts remain uncertain, and changing economic conditions and the materialisation of key risks could reduce the accuracy of the Group's Central scenario. Forecasts in recent years have been sensitive to changing economic and financial policy, changing supply chain conditions, monetary policy expectations and the inflation outlook. There remains uncertainty regarding the adequacy of the Group's models to reflect credit losses under emerging risks which are not captured under the historical loss experience of the Group's models, or to adequately distinguish risks for specific sectors or portfolios. The HSBC Group's financial model outputs (including retail and wholesale credit models such as IFRS loss models) continue to be monitored and management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events. Nevertheless, the Group's model outputs may fail to accurately capture the effects of complex economic, financial and geopolitical risks (see "*The Group could incur losses or be required to hold additional capital as a result of model limitations or failure*").

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

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

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

- political and/or social instability;
- geopolitical tensions;
- coups, armed conflicts or acts of terrorism;
- epidemics and pandemics (such as the Covid-19 pandemic);
- climate change, acts of God and natural disasters (such as floods and hurricanes); and
- infrastructure issues, such as transportation and power failures.

Each of the above could impact RWAs, and the financial losses caused by any of these risk events or developments could impair asset values and the creditworthiness of customers.

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

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

- While globalisation appears to remain deeply embedded in the international system, it is increasingly challenged by protectionism, including trade tariffs, which could contribute to weaker global trade, potentially affecting the Group's business. The HSBC Group's footprint may make the Group and its customers susceptible to protectionist measures taken by national governments and authorities, including imposition of trade tariffs, such

as those recently imposed on foreign exports to the U.S., 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;

- Uncertainty about the scope, duration and potential for escalation or resurgence of the conflict in the Middle East presents global economic and political implications (for further details, see *"Economic and market conditions and geopolitical developments may adversely affect the Group's financial condition and results"*);
- The U.S. and the UK imposed additional sanctions on Iran in 2024 in response to Iran's activities and the increase in tensions between Israel and Iran. Further sanctions may be imposed and could increase the risk within the Group's operations;
- The Russia-Ukraine war along with related financial sanctions, trade restrictions and Russian countermeasures, has had global economic and political implications. The differing stances taken by governments in negotiating an end to the conflict could lead to disparities in government approaches to lifting sanctions against Russia, and result in operational, compliance and reputational challenges for the Group;
- The sanctions and trade restrictions imposed by the U.S., the UK, and the EU, as well as other countries, as a result of the Russia-Ukraine war, remain complex, far reaching and evolving. The U.S. has expanded the reach of its secondary sanctions regime, which includes broad discretion to impose severe sanctions on non-U.S. banks that are knowingly or even unknowingly engaged in certain transactions or services directly or indirectly involving Russia's military-industrial base, including certain third-party activities that are difficult to detect or beyond the HSBC Group's control. The imposition of such sanctions against any non-U.S. HSBC entity could result in significant adverse commercial, operational, and reputational consequences for the HSBC Group. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures, including the expropriation of foreign assets;
- Being part of the wider HSBC Group, the Group may be adversely affected by increased geopolitical tensions across the different jurisdictions in which the HSBC Group operates and any broader economic pressures that the HSBC Group or parts of the HSBC Group may face. To date, the U.S., the UK, the European Union (the "EU") and other countries have imposed various sanctions and trade restrictions on Chinese persons and companies, and there is a continued risk of additional sanctions and trade restrictions or tariffs being imposed in relation to, among other things, alleged human rights abuses or advances in certain sensitive technologies. China, in turn, imposed a number of its own sanctions and trade restrictions that target, or provide authority to target, foreign individuals or companies as well as certain goods such as rare earth minerals and metals, and technology and services, and these or other retaliatory measures may continue to be imposed against certain countries, businesses and individuals. Strategic competition with China has the potential to impact the HSBC Group's operations and global supply chains remain vulnerable to a deterioration in the relationship between China and other countries;
- Diplomatic tensions between China and the U.S., which may extend to and involve other countries may adversely affect the Group and the HSBC Group, the Group's customers and the markets in which the Group operates; and
- Existing and additional sanctions, trade restrictions, counter-sanctions and other retaliatory measures relating to the foregoing and other geopolitical tensions may adversely affect the Group and the HSBC Group, the Group's customers and the markets in which the Group operates by creating regulatory, reputational and market risks including additional inflationary pressures, and a more complex operating environment.

While it is the Group's policy to comply with all applicable laws and regulations, geopolitical tensions, and potential ambiguities in the Group's compliance obligations, will continue to present challenges and risks for the Group and could have a material adverse impact on the Group's

business, financial condition, results of operations, prospects, strategy and reputation as well as on the Group's customers.

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

The uncertain outcome of potential developments relating to the financial services trading relationship between the UK and EU, including the rules under which financial services may be provided on a cross-border basis into the EU and its member states, remains a source of risk for the Group.

The EU Capital Requirements Directive ("**CRD VI**"), which member states must transpose into national law by 10 January 2026, will introduce a new requirement ("**the EU branch requirement**") under which non-EU banks and significant investment firms would have to establish a branch in each EU member state in which they carry out 'core banking activities', defined as deposit taking, lending and guarantees, and commitments. The EU branch requirement, which will be subject to certain exclusions and exemptions will come into effect on 11 January 2027. However, grandfathering will be available for contracts entered into before 11 July 2026.

The Financial Services and Markets Act ("**FSMA 2023**") became law in June 2023 and provides for a number of changes to the regulatory architecture in the UK. It contains provisions that would allow for specified 'on-shored' EU legislation, also known as 'retained EU law' or 'REUL' (and known as "**assimilated law**" after 1 January 2024), to be revoked and replaced by legislation or rules made by His Majesty's Treasury ("**HM Treasury**") or the regulators. FSMA 2023 allows for the eventual repeal of assimilated law related to financial services and enables the government and regulators to replace it in line with the FSMA 2023 model. Each piece of assimilated law related to financial services is now within a "**transitional period**", lasting until its repeal is individually commenced by HM Treasury in a phased and sequenced manner. Furthermore, as of 1 January 2024, certain legal effects previously associated with REUL (now referred to as assimilated law) no longer apply, including the supremacy of REUL over other types of conflicting domestic UK law, general principles of EU law (which informed REUL's interpretation and application) and directly effective EU rights.

Uncertainty remains as to the extent to which EU and UK laws will diverge in the future, as a result of the future repeal of assimilated law under FSMA 2023 or further development of the EU's own regulatory regime. Any changes to the current rules in this respect, the EU branch requirement and any further divergences in the legal regimes could require modifications to the HSBC Group's and the Group's UK and EU operating models, with resulting impacts to the HSBC Group's and the Group's clients and employees. The precise impacts on the Group's clients will depend on the nature of any developments and their individual circumstances and could include disruption to the provision of products and services, and this could in turn increase operational complexity and/or costs for the Group.

More generally, over the medium to long term, the UK's withdrawal from the EU and the operation of the Trade and Cooperation Agreement and any other agreement agreed or that may be agreed between the EU and the UK (and any complexities that may result therefrom), may lead to increased market volatility and economic risk, particularly in the UK, which could adversely impact the Group's profitability and prospects for growth in this market.

In addition, the UK's future trading relationship with the EU and the rest of the world will likely take a number of years to fully stabilise. This may result in a prolonged period of uncertainty, unstable economic conditions and market volatility. This could include reduced international trade flows and loss of export market shares, as well as currency fluctuations. If any of the above risks materialise, this could have a material adverse effect on the Group's business, financial condition, results of operations, reputation, prospects and strategy.

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

ESG-related matters such as climate change, society's impact on nature and human rights issues bring risks to the Group's business, customers and wider society. If the Group fails to meet evolving regulatory expectations or requirements relating to these matters, this could have regulatory compliance and reputational impacts.

Climate change could have both financial and non-financial impacts on the Group either directly or indirectly through the Group's business activities and relationships. The Group's climate risk approach identifies physical risk and transition risk as primary drivers of climate risk. In addition, the Group has also identified net zero alignment risk and the risk of greenwashing as thematic risk issues related to climate risk.

Physical risk may arise from the increased frequency and severity of extreme weather events, such as hurricanes and floods or chronic gradual shifts in weather patterns or rises in sea level. Transition risk may arise from the process of moving to a net zero economy including changes in government policy and legislation, technology, market demand and reputational implications triggered by a change in stakeholder expectations in relation to the Group's or the HSBC Group's action or inaction. Net zero alignment risk may arise from the risk of the Group or the HSBC Group failing to meet the HSBC Group's net zero ambition or failing to meet external expectations related to net zero.

The risk of greenwashing may arise from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to the Group's stakeholders.

The Group currently expects the following to be the most likely ways in which climate risks may materialise for it:

- credit risk for the Group's customers may increase if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulties for customers and/or stranded assets and impacting their ability to repay their debts. The Group's customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather;
- liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/wealth, or from reputational concerns relating to the progress the Group makes;
- real estate may be affected by changes to the climate, the increase in the frequency and severity of extreme weather events and chronic shifts in weather patterns, which could impact both property values and the ability of borrowers to afford their mortgage payments and lead to reduced availability or increased cost of insurance, including insurance that protects property pledged as collateral of HSBC mortgages, including collateral of the Group's mortgages. The Group's retail customers could also face increasing physical climate risks, such as flooding, which could have an impact on customers' properties within the mortgage book;
- The Group faces climate risks relating to its employees' UK pension plan (see also "*The Group may be required to make substantial contributions to its pension plans*"), as climate driven changes to macroeconomic and financial variables may impact the value of assets held to meet the Group's liabilities, and where the Group acts as portfolio investment manager, or as funds distributor, for the Group's retail customers;
- operational risk may increase if extreme weather events impact critical operations and premises;
- regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations, including on the management of climate risk, and variations in climate-related reporting standards, requiring implementation in short timeframes;



- conduct risk could develop in association with the increasing demand for "green" or "sustainable" products where there are differing and developing standards or taxonomies;
- reputational risks may arise from how the Group decides to support its customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to the HSBC Group's approach to the transition to net zero and if the HSBC Group or the Group make insufficient progress in achieving the HSBC Group's climate-related ambitions and targets; and
- model risk may arise from the uncertain and evolving impacts of climate change as well as data and methodology limitations, which may present challenges to creating reliable and accurate model outputs.

The Group also faces increased reputational, regulatory compliance and legal risks as it makes progress towards the HSBC Group's ESG-related ambitions and targets with stakeholders likely to place greater focus on the HSBC Group's or the Group's actions, such as the development of climate and ESG-related policies, the HSBC Group's disclosures, and both financing and investment decisions relating to the HSBC Group's ESG-related ambitions and targets. The Group and the HSBC Group may face additional risks if the Group fails to:

- make sufficient progress towards the HSBC Group's ESG-related ambitions and targets;
- set adequate plans, to execute those plans, or to adapt those plans to changes in the external environment;
- manage the risks associated both with meeting and not meeting the HSBC Group's ESG-related ambitions and targets; and
- meet evolving regulatory expectations and requirements on the management of ESG risks.

The Group may face additional risks if it knowingly or unknowingly makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

The Group may be exposed to climate and ESG-related litigation and regulatory enforcement risks, either directly if stakeholders think that the Group is not adequately managing climate and ESG risks, or indirectly, if the Group's clients and customers are themselves the subject of litigation, potentially resulting in the revaluation of their assets.

Requirements, policy objectives, expectations, views or market and public perceptions and preferences in connection with the transition to a net zero economy and ESG-related matters may vary by jurisdiction and stakeholder particularly in light of the differing perspectives of stakeholders in different markets including the UK, the U.S., the EU and other markets regarding climate impacts and the nature of the appropriate responses to climate change.

For example, the HSBC Group's and the Group's reputation and client relationships may be damaged as a result of the decision to participate, or not to participate, in certain projects perceived to be associated with causing or exacerbating climate change, as well as any decisions the HSBC Group or the Group make to continue to conduct or change its or their activities in response to considerations relating to climate change, including the transition to net zero.

In addition, nature-related risks beyond climate change may have significant economic impacts. These risks may arise when the provision of ecosystem services, such as water availability, air quality, and soil quality, is compromised, primarily by the five key drivers of nature loss: changes in land/freshwater/sea-use, climate change, pollution of air, water and soil, over-exploitation of natural resources and invasive alien species. They can manifest themselves in a variety of ways for the Group, the HSBC Group, and their respective customers, including through macroeconomic, market, credit, reputational, regulatory compliance and legal risks.

Regulation and disclosure requirements in relation to human rights are increasing. Businesses are expected to be transparent about their efforts to identify and respond to the risk of adverse human rights impacts arising from their business activities and relationships. Failure to manage this risk

may negatively impact people and communities, which in turn may result in reputational, regulatory compliance and legal risks for the HSBC Group and the Group.

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

In order to track and report on its progress against its ESG ambitions and targets, the HSBC Group relies on internal and, where appropriate and available, external data sources, guided by certain industry standards and its own ability to collect and process such data. While ESG-related reporting has improved over time, data remains of limited quality and consistency, exposing the HSBC Group and the Group to the risk of using incomplete and inaccurate data and models which could result in suboptimal decision making. Methodologies, data, scenarios and industry standards that the Group and the HSBC Group have used may evolve over time in line with market practice, regulation and developments in science, where applicable. Any such developments in methodologies and scenarios, and changes in the availability, accuracy and verifiability of data over time and the HSBC Group's and the Group's ability to collect and process such data, exposes the Group and the HSBC Group to financial reporting risk in relation to the Group's and the HSBC Group's climate and ESG disclosures and could result in revisions to the HSBC Group's and the Group's internal measurement frameworks as well as reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year.

This could also result in the HSBC Group having to re-evaluate its progress towards its ESG-related ambitions and targets in the future and this could result in reputational, regulatory compliance and legal risks.

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

## 5. **The Group operates in markets that are highly competitive**

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

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

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

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

Developments in technology and changes to regulations are enabling new entrants to the industry. This challenges the Group to continue innovating and taking advantage of new digital capabilities so that the Group can improve how it serves its customers, drives efficiency and adapts its products to attract and retain customers. As a result, the Group may need to increase its investment in its business to adapt or develop products and services to respond to its customers' evolving needs. The Group also needs to ensure that new digital capabilities do not weaken its resilience. If the Group fails to develop and adapt its products and services to take advantage of new digital capabilities, this could have an adverse impact on its business.

The digitisation of financial services continues to have an impact on the financial ecosystem, including new market entrants, digital assets and currencies and payment mechanisms. However, there are asymmetries in the level of regulatory scrutiny or regulations applicable to some of these practitioners and financial institutions. Given the range of actors involved, this presents ongoing challenges including due to differences in required levels of transparency, which may add additional financial and non-financial costs for institutions such as the Issuer and potentially adversely impact the Group's business significantly.

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

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

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

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

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

The Group's defined benefit pension plan is exposed to market risk from its assets and liabilities. The liability discount rate provides exposure to interest rate risk, credit spread risk and inflation risk which are only partially offset by fixed interest assets and swaps. The assets also provide exposure to fluctuations in the market value of other asset classes including property and equities.

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

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

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

In particular, the Group has significant exposure to UK residential mortgages, the UK commercial real estate sector and retail banking. The Group's UK mortgage and retail banking portfolios are strongly linked to the UK economy, and further deterioration in the UK's economic environment (including as a result of high inflation and interest rates or the escalation or resurgence of the Russia-Ukraine war or the conflict in the Middle East) could materially and adversely affect the credit quality of such portfolios (see "*Economic and market conditions and geopolitical developments may adversely affect the Group's financial condition and results*"). Additionally, any decreases in property values may also reduce the collateral values against the mortgage portfolios, which could negatively impact recovery values in default situations and lead to higher impairment charges.

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

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

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

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

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

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

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

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

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

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

The majority of voters in the May 2021 Scottish Parliament elections voted for parties campaigning for Scottish independence and there continues to be disagreement between the Scottish government and the UK government in relation to this. The Group cannot predict the outcome of any further developments in this respect or how the potential future departure of Scotland from the UK could impact the Group's business and financial performance.

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

Any changes to Scotland's relationship with the UK or the EU may adversely affect the environment in which the Group and its subsidiaries operate and may require further changes to the Group, including mandatory or strategic structural and organisational changes, any of which could adversely affect the Group.

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

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

10. **The Group is subject to numerous new and existing legislative and regulatory requirements, and to the risk of failure to comply with applicable regulations**

The Group's businesses are subject to ongoing regulation, policies, voluntary codes of practice and interpretations in the UK and the EU. A number of regulatory changes affecting the Group's business have effects beyond the country in which they are enacted.

In recent years, regulators in the UK and EU have focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services is conducted. The measures taken 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 and changes in compensation practices. With regard to the non-financial risk agenda, there is a focus on customers and markets, payments and e-money, digital and artificial intelligence ("AI"), ESG including governance, and operational resilience. This is all set against increased geopolitical tensions which may limit the development of consistent regulatory requirements, and the ongoing regulatory response to the "banking turmoil" in 2023.

Oversight from regulators has increased and is likely to intensify. The focus of both the Prudential Regulation Authority (the "PRA") and the FCA on legal entity governance within the Group is increasing. Continued focus on managing the relationships with regulators, meeting their timelines and managing their expectations is essential.

The specific areas where regulatory change and increased supervisory expectations could have a material effect on the Group's business, financial condition, results of operations, prospects, capital position and reputation and strategy include, but are not limited to, those listed below, grouped around prudential and non-prudential themes as follows:

## **Prudential and related issues**

- the implementation of the Basel Committee on Banking Supervision's reforms to the prudential framework, 'Basel 3.1', which include changes to the RWAs approaches to credit risk, market risk, operational risk, counterparty risk and credit valuation adjustments and the application of an RWA output floor;
- the increased supervisory expectations arising from expanding and increasingly complex regulatory reporting obligations, including expectations on data integrity and associated governance and controls;
- the possible impacts on some of the Group's regulatory ratios, such as the common equity tier 1 ("CET1") ratio, the liquidity coverage ratio and the net stable funding ratio, arising from the programme initiated to strengthen the HSBC Group's regulatory reporting processes and make them more sustainable. This programme includes enhancing data, consistency and controls;
- any changes to the prudential framework following the bank failures in 2023, for example in relation to liquidity or interest rate risk in the banking book or rules concerning depositor protection (such as those related to the operation of the Financial Services Compensation Scheme in the UK);
- HM Treasury's work on improving the operation of the UK's ring-fencing regime, including changes made through the Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025, which came into effect on 4 February 2025 and, among other things, amend the structural and activity-related requirements applicable to ring-fenced banks, and further proposals that may affect the HSBC Group's and the Group's operations;
- requirements flowing from arrangements for the resolution strategy of the HSBC Group and its individual operating entities that may have different effects in different countries;
- the financial effects of climate risk and other ESG-related changes being incorporated within the global prudential framework, including physical risks from climate change and the transition risks resulting from a shift to a low carbon economy; and
- reviews of regulatory frameworks applicable to the wholesale financial markets, in particular the reforms and other changes to the securitisation requirements.

## **Non-prudential and related issues**

- the ongoing focus by regulators, international bodies and other policy makers, heightened by cost of living pressures, on how the Group conducts business, particularly around the delivery of fair outcomes for customers (for example, the embedding of the requirements of the UK Consumer Duty, regulatory expectations on access to bank accounts for those in vulnerable circumstances and ongoing consultations by the FCA on a new Consumer Composite Investments (CCI) product disclosure regime), promoting effective competition and ensuring the orderly and transparent operation of global financial markets. For example, the UK Consumer Duty sets out an FCA principle for businesses that requires the Issuer and other firms within the Group that are subject to FCA regulation to act to deliver good outcomes for retail customers in relation to their products and services, price and value, consumer understanding and consumer support. The principle is supplemented by specific conduct standards to act in good faith towards retail consumers, avoid causing foreseeable harm and to enable and support retail customers to pursue their financial objectives. In order to implement the UK Consumer Duty, which has applied to the Group since 31 July 2023, the Group has undertaken a review of, and made changes to, its products, services, policies, systems and procedures. The implementation deadline for closed products and services was 31 July 2024. Failure to comply with the requirements of the UK Consumer Duty may result in the FCA taking supervisory and enforcement measures against the Group;

- the implementation of conduct and other measures as a result of regulators' focus on organisational culture, employee behaviour, whistleblowing and inclusion;
- the supervisory and regulatory focus, globally, on technology adoption and digital delivery, underpinned by customer protection, including the use of digital assets and currencies and wider financial technology risks, such as proposed UK regulations aimed at cryptoasset related activities, which would bring currently unregulated cryptoassets into the UK financial services regulatory perimeter;
- increasing regulatory expectations and requirements around the use of AI;
- continuing supervisory and regulatory focus, globally, on payment services and related infrastructure, including Open Banking and Open Finance in the UK, changes concerning operational resilience and cybersecurity and payment fraud prevention initiatives such as the rules issued by the UK Payment Systems Regulator and the BoE requiring payment service providers participating in the UK Faster Payments Scheme and the Clearing House Automated Payment System (including the Issuer in each case) to reimburse victims of "authorised push payment" fraud from October 2024 onwards, subject to certain exemptions and limitations, with the cost of reimbursement being shared 50:50 between the sending and the receiving payment service providers (see "*Non-financial risks are inherent in the Group's business*"). Such initiatives are underpinned in the UK by the UK government's "National Payments Vision", announced in November 2024, which sets out the government's broader intentions to reduce regulatory congestion in the UK's payments sector, improve payment infrastructure, foster advancements in Open Banking and reduce payment fraud. There is also increased regulatory focus in the UK on ensuring adequate access to cash, including FCA rules requiring relevant firms to maintain reasonable access to cash for personal and business customers across the UK;
- ongoing expectations with respect to managing emerging financial crime risks and their impact on customers, and managing conflicting laws and approaches to legal and regulatory regimes and implementing increasingly complex and less predictable sanctions, trade restrictions and other restrictions driven by national security concerns;
- the continued evolution of the UK's regulatory framework following the UK's withdrawal from the EU;
- requirements regarding remuneration arrangements and senior management accountability more generally within the Group (for example, the requirements of the Senior Managers and Certification Regime in the UK and similar regimes elsewhere that are either in effect or under consideration/implementation);
- changes in national or supra-national requirements regarding the management of third-party risk;
- increasing regulatory expectations of firms in relation to ESG-related governance, risk management and disclosure frameworks (for example the UK Sustainability Disclosure Requirements), particularly relating to climate change, transition plans, greenwashing and supply chain due diligence;
- the increasing regulatory expectations and requirements (for example, under the UK operational resilience requirements) relating to various aspects of operational and cyber resilience, including an ongoing focus on the response of institutions to operational disruptions; and
- the regulatory focus on policies and controls related to the unauthorised use by employees of electronic communications on non-business platforms.

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

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

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

Additionally, as described in Note 26 ("*Legal proceedings and regulatory matters*") on pages 129 through 130 in the Issuer's 2024 Annual Report and Accounts (as defined in the "*Documents Incorporated by Reference*" section), the Group and its subsidiaries continue to be subject to a number of material legal proceedings, regulatory actions and investigations, the outcomes of which are inherently difficult to predict, particularly those cases in which the matters are brought on behalf of various classes of claimants, where damages of unspecified or indeterminate amounts are sought or which involve novel legal claims. Moreover, the Group may face additional legal proceedings, investigations or regulatory actions in the future, including in other jurisdictions and/or with respect to matters similar to, or broader than, the existing legal proceedings, investigations or regulatory actions. An unfavourable result in one or more of these proceedings could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

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

As described under "*Risk Review – How we manage our risks – Stress testing*" on page 17 in the Issuer's 2024 Annual Report and Accounts, the Group is subject to supervisory stress tests. These exercises are designed to assess the resilience of banks to potential adverse economic developments or operational failure to inform mitigation actions and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by supervisors is both on a quantitative and qualitative basis, the latter focusing on the Group's portfolio quality, data provision, stress testing capability and capital planning processes.

Failure to meet quantitative or qualitative requirements of regulatory stress tests, or the failure by supervisors to approve the Group's stress test results and capital plans, could result in the Group being required to enhance its capital position, and this could, in turn, have a material adverse effect on the Group's business, financial returns, capital position, operational capabilities and reputation.

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

Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, supplemented or replaced from time to time, the



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

(a) Statutory intervention powers

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

(b) Write-down and conversion of capital instruments and liabilities powers and/or bail-in powers

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

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

The bail-in power gives the relevant UKRA the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include any

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

Moreover, pursuant to the exercise of the bail-in power, any securities that may be issued to holders of Securities upon conversion of any unsecured Securities may not meet the listing requirements of any securities exchange, and the Issuer's outstanding listed securities may be delisted from the securities exchanges on which they are listed. Any securities received by holders of Securities upon conversion of such unsecured Securities (whether debt or equity) may not be listed for at least an extended period of time, if at all, or may be on the verge of being delisted by the relevant exchange. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the issuer (which may be an entity other than the Issuer) of any securities issued upon conversion of such unsecured Securities, or the disclosure with respect to any existing issuer may not be current to reflect changes in the business, operations or financial statements as a result of the exercise of the bail-in power.

Furthermore, holders of Securities may have only limited rights to challenge and/or seek a suspension of any decision of the relevant UKRA to exercise the bail-in power (or any of its other resolution powers) or to have that decision reviewed by a judicial or administrative process or otherwise.

Although the exercise of the bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of the Group or not directly related to the Group) which the relevant UKRA would consider in deciding whether to exercise such power with respect to the Issuer and its securities (including any unsecured Securities). Moreover, as the relevant UKRA may have considerable discretion in relation to how and when it may exercise such power, holders of the Issuer's securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on the Issuer and its securities. In some circumstances, the relevant UKRA may decide to apply a deferred bail-in, where liabilities are not written down at the start of the resolution but are transferred to a depositary to hold during the bail-in period, with the terms of the write-down being determined at a later point in the bail-in period. Accordingly, it is not yet possible to assess the full impact of the exercise of the bail-in power pursuant to the Banking Act or otherwise on the Issuer.

(c) Powers to direct restructuring of the Group

As well as a write-down and conversion of capital instruments and liabilities power and a bail-in power, the powers of the relevant UKRA under the Banking Act include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management

vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). In addition, the Banking Act gives the relevant UKRA power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution, impose a temporary suspension of payments, discontinue the listing and admission to trading of debt instruments and/or transfer securities of the relevant financial institution to a third party appointed by the BoE.

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

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

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

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

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

The Group is subject to the substance and interpretation of UK tax laws and is subject to routine review and audit by tax authorities in relation thereto. The Group's interpretation or application of these tax laws may differ from those of the relevant tax authorities, and the Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. In addition, potential changes to tax legislation, tax rates in the UK and the approach taken by tax authorities in audits could increase the Group's effective tax rate in the future and have a material adverse effect on the Group's business, financial condition, results of operations, prospects and capital position.

*Risks related to the Group's operations*

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

The HSBC Group operates in an extensive and complex technology landscape, which must remain resilient in order to support customers, the Group and the markets in which the HSBC Group operates. Risks arise where technology is not understood, maintained, or developed appropriately. The reliability and security of the HSBC Group's information technology infrastructure is crucial to the Group's provision of financial services to its customers and protecting the HSBC brand. The effective functioning of the HSBC Group's payment systems (including the Group's payment systems), financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, the communication networks between the Group's branches and main data processing centres and the ability of the Group's customers to access their accounts are important to the Group's operations.

Critical system failure, prolonged service unavailability or a material breach of data security, particularly of confidential customer data, could compromise the Group's ability to serve its customers. This could breach regulations and could cause long-term damage to the Group's business and brand that could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

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

The threat of cyber-attacks remains a concern for the Group, as it does across the entire financial sector. As cyber-attacks continue to evolve, failure to protect the Group's operations may result in disruption for customers, manipulation of data or financial loss. This could adversely impact both the Group and the Group's customers.

Adversaries attempt to achieve their objectives by compromising the Group or related third party suppliers. They use techniques that include malware (such as ransomware), exploitation of both known and unpublished (zero-day) software vulnerabilities, phishing emails, distributed denial of service attacks, as well as potentially physical compromise of premises, or coercion of staff. The Group's customers may also be subject to these constantly evolving cyber-attack techniques. The Group, like other financial institutions, has experienced numerous common cyberattacks, including for example, distributed denial of service and phishing attacks. Some of the Group's third-party service providers also have experienced cyberattacks. To date, the Group has not been materially affected by cybersecurity threats. However, the Group expects cyberattacks to continue, and the Group's business strategy, results of operations and financial condition could be materially affected by cybersecurity risks and any future material incidents.

Cyber security risks will continue to increase, due to continued increase of services delivered over the internet; increasing reliance on internet-based products, applications and data storage; the increasing use of AI, which could be used to facilitate sophisticated cyber attacks; and an increased use of hybrid working models by the Group's employees, contractors, third-party service providers and their sub-contractors.

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

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

The Group uses models for a range of purposes in managing its business, including regulatory capital calculations, stress testing, credit approvals, calculation of ECLs on an IFRS 9 basis, financial crime and fraud risk management and financial reporting. The Group could face adverse consequences as a result of decisions that may lead to actions by management based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of modelled information for purposes which it was not designed for, or by limitations arising from the uncertainty inherent in predicting or estimating future outcomes. Regulatory scrutiny and supervisory concerns over banks' use of models are 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 or if those models are subject to negative feedback from regulators, the Group could be required to hold additional capital. Evolving regulatory requirements have resulted in changes to the Group's approach to model risk management, which poses execution challenges. The adoption of more sophisticated modelling approaches including AI related risks and technology by both the Group and the financial services industry could also lead to increased model risk. The HSBC Group's and the Group's intended changes to business activities due to climate and sustainability challenges will also have an impact on model risk going forward. Models will play an important role in risk management and financial reporting of climate-related risks. The uncertainty of the long-dated impacts of climate change and lack of robust and high quality climate-related data present challenges to creating reliable and accurate model outputs for these models.

Model risk remains a key area of focus, given the regulatory scrutiny in this area with revised principles on model risk published by the PRA, which came into force in 2024. These principles, which are designed to cover all elements of the model lifecycle and which form the basis of the PRA's supervisory expectations set out in SS1/23, relate to: (i) model identification and model risk classification, (ii) governance, (iii) model development, implementation and use, (iv) independent model validation and (v) model risk mitigants. Further developments in policy are expected from other regulators.

Risks arising from the use of models could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, capital position and reputation. See also *"Economic and market conditions and geopolitical developments may adversely affect the Group's financial condition and results"*.

**18. The Group's operations use third-party suppliers and service providers**

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

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

***Risks related to the Group's governance and internal controls***

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

Effective management of transformation initiatives is required to achieve the HSBC Group's strategic priorities, which includes delivering both on externally driven programmes and on the Group's own key business initiatives which seek to deliver growth, operational resilience and efficiencies. The scale, complexity, and concurrent demands of such transformation can result in heightened execution risk.

Oversight from regulators has increased and is likely to intensify. The focus of both the PRA and the FCA on legal entity governance within the Group is increasing. Continued focus on managing the relationships with regulators, meeting their timelines and managing their expectations is essential.

In October 2024, the HSBC Group announced it was simplifying its organisational structure to accelerate delivery against the HSBC Group's strategic priorities. Effective 1 January 2025, the HSBC Group operates through four new businesses: Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking. The HSBC Group's functions are being realigned to support these four businesses. The execution of this reorganisation will result in significant organisational design changes throughout the HSBC Group. There is a risk that the reorganisation does not achieve some or all of its goals and fails to deliver or achieve the expected benefits of the HSBC Group's strategic initiatives, that will in turn impact the Group's strategy.

The HSBC Group's strategy has been impacted by the global economic, geopolitical, legal and regulatory environment. The HSBC Group has taken into consideration global trends such as technology, customer needs and competition. The development and implementation of the HSBC Group's strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions. The HSBC Group may fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction. The HSBC Group may also encounter unpredictable changes in the external environment that are unfavourable to its strategy, such as the Russia-Ukraine war.

The Group's ability to execute strategic change may be limited by the Group's operational capacity, effectiveness of the Group's change management controls, challenges in integrating any newly acquired businesses into the Group's business and instituting and maintaining appropriate transitional arrangements and the potential for unforeseen changes in the market and/or regulatory environment in which the Group operates.

The economic outlook globally and in the UK continues to remain uncertain due to the likelihood of relatively modest economic growth in the near to medium term, new trade policies announced by the U.S., and potential measures that may be adopted by several countries globally, including in the markets in which the Group operates, inflation, changes in legislation, the UK's relationship with the EU and geopolitical tensions. Therefore, there remains a risk that, in the absence of an improvement in economic conditions, the Group's cost and investment actions may not be sufficient to achieve the expected benefits. This could have a material adverse effect on the Group's customers, business, financial condition, results of operations, prospects, operational resilience and reputation.

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

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

Expanding data privacy, national security and cyber security laws in a number of markets could pose potential challenges to intra-group data sharing. These developments could increase financial institutions' compliance obligations in respect of cross-border transfers of personal information, which may affect the Group's ability to manage financial crime risks across markets.

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

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

The Group is required to comply with applicable financial crime laws and regulations, and has adopted various policies, procedures and controls aimed at preventing the exploitation of the Group's products and services for criminal activity. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. There are instances, as permitted by regulation, where the Group may rely upon counterparties to undertake certain financial crime risk management activities on the Group's behalf. Any controls implemented and maintained by HSBC to manage the risk created by such reliance may not prevent third parties from using the Group (and the Group's relevant counterparties) as a conduit for financial crime, without the Group's knowledge (and that of those counterparties).

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

22. **The Group is subject to the risk of financial crime**

The Group is exposed to financial crime risk from the Group's customers, staff and third parties engaging in criminal activity and, as such, the Group faces increasing regulatory expectations (see *"Third parties may use the Group as a conduit for illegal activities without the Group's knowledge"*).

In 2024, financial crime risk continued to be exacerbated by increasingly complex geopolitical challenges, the macroeconomic outlook, the complex and dynamic nature of sanctions compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud, scams and other criminal activities. The Group's ability to manage financial crime risk is dependent on the use and effectiveness of the Group's financial crime risk assessments, systems and controls and its ability to prevent criminal activity. Weak or ineffective financial crime processes and controls may risk the Group inadvertently failing to prevent criminal activity and unintentionally facilitating financial crime which may result in regulatory investigation, criminal charges, sanction, litigation, fines and reputational damage.

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

The Group's businesses are exposed to risk from potential non-compliance with the HSBC Group's policies, including the HSBC Values, and related behaviours and employee misconduct such as fraud, negligence or non-financial misconduct, all of which could result in regulatory sanctions and/or reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of rogue employees. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect this activity may not always be effective. Employee misconduct, or regulatory sanctions if a regulator deems the Group's actions to deter such activity to be insufficient, could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and reputation.

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

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

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

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

Over the past few years, digital assets have been a growing part of the financial landscape bringing with them increased competition and financial risk. The range of these assets has expanded to include, among others, Central Bank Digital Currencies and cryptocurrencies. The increased development of digital currencies and the growing focus of monetary and regulatory authorities on these assets pose a significant disintermediation risk, particularly in relation to processes involving the transfer of money between parties both within and across borders. This could result in a more direct linkage between currency providers and payment participants, reducing frictions existing in the current value chain, to the detriment of intermediaries such as the Group. Moreover, cryptocurrencies could reduce the requirement for foreign exchange and payment intermediaries (such as the Group) as peer-to-peer transactions can take place across borders using a common means of exchange, regardless of where in the world the participants in the transactions are

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

### ***Risks related to the Group's business***

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

The Group's continued success and implementation of its strategy depend in part on the retention of key members of the Group's management team and wider employee base, and the availability of skilled management and personnel in each of its businesses and functions. The implementation of organisational changes and ongoing talent and capability shortages in the UK, particularly where those with the specialist skills are required to be globally mobile, add to the complexity of the Group's supply challenge. This challenge is also increased by rapidly changing skill requirements and ways of working and the evolving regulatory landscape.

The Group's ability to continue to attract, train, motivate and retain highly qualified professionals may also depend on factors beyond its control, including economic, market and regulatory conditions and the impact of the cost of living crisis on financial health and well-being. In addition, the HSBC Group has an ambition to increase its Black heritage senior leader representation in both the UK and the U.S. combined to 3.4% by 2025. If the HSBC Group fails to achieve these ambitions, the Group's ability to attract and retain qualified professionals may be negatively affected.

When the Group acquires or disposes of a Group operation, the Group needs to ensure that it complies with any employment requirements, provides support to affected employees, and integrates new employees into HSBC's Values, culture and ways of working.

If businesses or functions fail to staff their operations appropriately or lose one or more of their key senior executives and fail to successfully replace them in a satisfactory and timely manner, or fail to implement successfully the organisational changes required to support the Group's strategy, the Group's business, financial condition, results of operations, prospects and reputation, including control and operational risks, could be materially adversely affected.

#### **27. The Group's business has inherent reputational risk**

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

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

#### **28. Non-financial risks are inherent in the Group's business**

The Group is exposed to many types of non-financial risks that are inherent in its operations. Non-financial risk can be defined as the risk to the Group of achieving its strategy or objectives as a



result of inadequate or failed internal processes, people and systems, or from external events. It includes: breakdowns in processes or procedures, breaches of regulations or law, financial crime, financial reporting, tax errors and external events and systems failure or non-availability. These risks are also present when the Group relies on outside suppliers or vendors to provide services to the Group and its customers.

These non-financial risks may result in financial losses to the Group and/or its customers, an adverse customer experience, reputational damage and potential litigation, regulatory proceedings, administrative action or other adversarial proceedings in any jurisdiction in which the Group operates, depending on the circumstances of the event.

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

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

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

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

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems, including uncertainties driven by significant macroeconomic and policy changes that have been and might be enacted by the new U.S. administration and the Group's exposure to vulnerable sectors of the economy, such as UK commercial real estate, as well as the evolution of other top risks, such as the current geopolitical and macroeconomic risk environment could reduce the recoverability and value of the Group's assets, and require an increase in the Group's ECLs (see "*Economic and market conditions and geopolitical developments may adversely affect the Group's financial condition and results*" and "*The Group is subject to political, social and other risks*").

The Group estimates and recognises ECLs in the Group's credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the macroeconomic and geopolitical conditions, including the impact of high U.S. tariff rates, retaliatory actions, and sector or portfolio specific risks, might impair the ability of the Group's borrowers to repay their loans and the ability of other counterparties to meet their obligations. This assessment considers multiple alternative forward-looking economic conditions (including GDP estimates) and incorporates this into the ECL estimates to meet the measurement objective of IFRS 9. As is the case with any such assessments, the Group may fail to estimate accurately the effect of factors that it identifies or fail to identify relevant factors. Further, the information the Group uses to assess the creditworthiness of the Group's counterparties may be inaccurate or incorrect. Any failure by the Group to accurately estimate the ability of the Group's counterparties to meet their obligations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

*Risks related to the Group's financial statements and accounts*

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

The preparation of financial information requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, particularly those involving the use of complex models, actual results reported in future periods could differ from those on which management's estimates are based. Estimates, judgements, assumptions and models are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to the Group's results and financial position are those that involve a high degree of uncertainty and could have a material impact on the financial statements. In 2024, these included goodwill, ECLs, provisions and post-employment benefit plans, which are discussed in the Issuer's 2024 Annual Report and Accounts.

The measurement of ECL requires the selection and calibration of complex models and the use of estimates and assumptions to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Additionally, significant judgement is involved in determining what is considered to be significant increases in credit risk and what the point of initial recognition is for certain revolving facilities.

The recognition and measurement of provisions involve significant judgements due to the high degree of uncertainty in determining whether a present obligation exists, and in estimating the probability and amount of any outflows that may arise. The calculation of the defined benefit pension obligation involves the determination of key assumptions, including discount rate, inflation rate, pension payments and deferred pension and pay and mortality. The assessment of whether goodwill is impaired, and the measurement of any impairment, involves the application of judgement in determining key assumptions, including discount rates, estimated cash flows for the periods for which detailed cash flows are available and projecting the long term pattern of sustainable cash flows thereafter.

Given the uncertainty and subjectivity associated with the above critical accounting judgements and estimates, future outcomes may differ materially from those assumed using information available at the reporting date. These estimates and judgments could have a material adverse effect on the Group's future financial position, results of operations, capital position, prospects and reputation.

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

The Group prepares its consolidated financial statements in conformity with UK-adopted international accounting standards and with the requirements of the UK Companies Act 2006. The Group's consolidated financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("**IFRS Accounting Standards**"), including interpretations issued by the IFRS Interpretations Committee.

From time to time, the IASB or the IFRS Interpretations Committee may issue new accounting standards or interpretations that could materially impact how the Group calculates, reports and discloses its financial results and financial condition, and which may affect the Group's capital ratios, including the CET1 ratio. The Group could also be required to apply new or revised standards retrospectively, resulting in the Group restating prior period financial statements in material amounts. This could have a material adverse effect on the Group's business, financial condition, results of operations and capital position.

## IMPORTANT NOTICES

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

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

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

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

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

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- the 2024 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2024 submitted to and filed with the FCA (the "**2024 Annual Report and Accounts**"); and
- the 2023 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2023 submitted to and filed with the FCA (the "**2023 Annual Report and Accounts**").

The Issuer will, at its registered office, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Registration Document including any document incorporated by reference in this Registration Document. Written or oral requests for inspection of such documents should be directed to the Issuer's registered office. Additionally, this Registration Document will be available for viewing at <https://www.hsbc.com/investors/fixed-income-investors/issuance-programmes?page=1&take=20> and all the documents incorporated by reference herein will be available for viewing at <https://www.hsbc.com> (please follow links to 'Investors', 'Results and announcements', 'All reporting' and 'Subsidiaries'). For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, any websites referred to in this Registration Document or any information appearing on such websites and pages do not form part of this Registration Document.

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

## THE ISSUER AND ITS SUBSIDIARIES

### Introduction

#### History and Development of the Issuer

The Issuer forms part of the HSBC Group (being HSBC Holdings plc and its subsidiaries). In 2024, the Issuer and its subsidiaries (together, the "**Group**") largely comprised Wealth and Personal Banking ("**WPB**"), Commercial Banking ("**CMB**") and a restricted Global Banking and Markets business ("**GBM**"). Effective from 1 January 2025, the HSBC Group has implemented a new organisational business structure and operates through four new businesses: Hong Kong; UK; Corporate and Institutional Banking; and International, Wealth and Premier Banking. The Group's functions are being realigned to support the four businesses.

The HSBC Group completed the ring-fencing of its UK retail banking activities on 1 July 2018, when it completed the transfer to the Issuer by HSBC Bank plc of the qualifying businesses and subsidiaries, together with supporting capital, following the Court approval of the ring-fenced transfer scheme to meet the regulatory ring-fencing requirements in accordance with the Financial Services (Banking Reform) Act 2013 and related legislation.

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

As at 31 December 2024, the Group had total consolidated assets of £340,877 million, and total consolidated equity of £25,971 million.

As at 31 December 2024, the Issuer had over 15 million customers being served by over 18,400 full time equivalent employees across the country and further supported by approximately 5,500 full time equivalent employees based in its UK service company HSBC Global Services (UK) Limited who provide services to the Issuer and the wider HSBC Group.

#### Legislation

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

#### Principal activities and markets

In 2024, the Group managed its products and services through three businesses: WPB, CMB and GBM. In addition, certain central operations of the Group business lines were supported by the Corporate Centre.

WPB served over 14.4 million customers under three brands: HSBC UK, first direct and Marks and Spencer Financial Services plc. WPB offered a comprehensive set of banking products and services to support customers to manage their day-to-day finances and help manage, protect and grow their wealth.

CMB was a full-service international commercial bank, highly connected to the HSBC Group. CMB served over 685,000 clients, delivering the HSBC Group's comprehensive product suite to help meet their clients' international and domestic needs.

GBM offered foreign currency payments, transaction banking and selected products to enable commercial hedging, as permitted under UK ring-fencing legislation. Through close collaboration with the HSBC Group, GBM also made products that were not offered within the Group available on an arms-length basis.

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

The principal activities and markets of the Group are described in more detail on page 2 of the 2024 Annual Report and Accounts.

As at 31 December 2024, the Issuer's main subsidiary undertakings and their country of incorporation, as provided on page 116 of the 2024 Annual Report and Accounts, were:

<b>Name of Subsidiary Undertaking</b>	<b>Country of Incorporation or Registration</b>
HSBC Equipment Finance (UK) Limited .....	England and Wales
HSBC Invoice Finance (UK) Limited .....	England and Wales
M&S Financial Services plc .....	England and Wales
HSBC Innovation Bank Limited .....	England and Wales

The subsidiaries and joint ventures of the Issuer are described in more detail on pages 132 and 133 of the 2024 Annual Report and Accounts (incorporated by reference herein).

### **Organisational Structure**

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

The HSBC Group is one of the largest banking and financial services organisations in the world with an international network which covers 58 countries and territories. Within these regions, a comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. As at 31 March 2025 the total assets of the HSBC Group were U.S.\$3,054,361 million.

### **Ratings**

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

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

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

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

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

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

**Capital**

The following table presents the Group's common equity tier 1 requirement as at 31 December 2024 for the purposes of the Capital Requirements Regulation and Directive, as implemented ("CRR II") including the IFRS9 transitional arrangements (which no longer apply as of 1 January 2025).

	As at 31 December 2024
<b>Common equity tier 1 CRR II end point requirement (%)</b>	
Pillar 1.....	4.5%
Pillar 2A.....	2.1%
Capital conservation buffer.....	2.5%
Countercyclical buffer .....	1.9%
Systemic Risk buffer.....	1.0%
<b>Common equity tier 1 requirement.....</b>	<b>12.0%</b>



## DIRECTORS OF THE ISSUER

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

<b>Name</b>	<b>Function(s) within the Issuer</b>	<b>Principal Activities Outside of the Issuer</b>
<b>Dame Clara Furse</b>	Chairman  Independent non-executive Director  Chairman of the Chairman's Nominations and Remuneration Committee	Non-executive director of Assicurazioni Generali S.p.A.  Member of the Panel of Senior Advisors to Chatham House and European Financial Services Round Table  Chairman of the UK Carbon Markets Forum
<b>John David Stuart (known as Ian Stuart)</b>	Executive Director and Chief Executive Officer  Chairman of the Operating Committee	Member of the HSBC Group's Operating Committee  Member of: HMG's Economic Crime Strategic Board; Net Zero Council led by the Department for Energy Security and Net Zero; GREAT Private Sector Council; Lord Mayors Appeal Advisory Board, UK Finance Limited Board and TheCityUK Board
<b>Marie Claire Baird (known as Claire Baird)</b>	Executive Director and Chief Financial Officer  Member of the Operating Committee	
<b>Abimbola Afolami (known as Bim Afolami)</b>	Independent non-executive Director  Member of the Risk Committee	Executive role with Acrisure International Holdings Ltd  Independent Non-Executive Director of The Quoted Companies Alliance  Designated member of Warre Constable LLP.  Patron of charities Harpenden Spotlight on Africa and GRIT (Growing Resilience In Teens)
<b>Simon Calver</b>	Independent non-executive Director  Member of the Audit Committee	Chair of Marks and Spencer Financial Services plc  Independent non-executive director of Marks and Spencer Unit Trust Management Limited  Chair of Vinterior Group Limited and MicroLub Ltd

<b>Name</b>	<b>Function(s) within the Issuer</b>	<b>Principal Activities Outside of the Issuer</b>
<b>Oliver Corbett</b>	Independent non-executive Director  Chair of the Audit Committee, Member of the Risk Committee and the Chairman's Nominations and Remuneration Committee	Non-executive director of a number of subsidiaries within the Allianz Insurance Group, CFC Underwriting Ltd and THHK Ltd  Strategic Advisor, McGill and Partners Group Limited
<b>Carolyn Dittmeier</b>	Independent non-executive Director  Member of the Risk Committee and the Audit Committee	Independent member of the Board of Eni and Illycaffè and of the Board of Statutory Auditors of Moncler and Bologna University Business School
<b>Jenny Goldie-Scot</b>	Independent non-executive Director	Chair of Marks & Spencer Unit Trust Management Limited  Non-executive director of Marks and Spencer Financial Services plc
<b>Mridul Hegde CB</b>	Independent non-executive Director  Chair of the Risk Committee  Member of the Audit Committee and the Chairman's Nominations and Remuneration Committee	Chair of HSBC Innovation Bank Limited
<b>Janet Henry</b>	Non-executive Director	Chief Global Economist, HSBC Holdings plc  Governor of the UK's National Institute of Economic and Social Research and member of the World Economic Forum's Chief Economists Community
<b>Zoe Knight</b>	Non-executive Director	Global Head of Sustainability Research and Integration, HSBC Bank Middle East Limited
<b>Brendan Nelson</b>	Independent non-executive Director  Member of the Chairman's Nominations and Remuneration Committee	Independent Non-executive Director of HSBC Holdings plc, Chair of the HSBC Group Audit Committee and Member of the HSBC Group's Risk, Technology and Operations, and Nomination & Corporate Governance Committees  Chair of the Board of BP Pension Fund Trustees Limited

## **Conflicts of interest**

The board of directors of the Issuer (the "**Board**") has an established policy and set of procedures to ensure that the Board's management of directors' conflicts of interest is effective. The Board has the power to authorise conflicts where they arise, in accordance with the Companies Act 2006 and the Issuer's articles of association. Details of all directors' conflicts of interest are recorded in the register of conflicts. Upon appointment, new directors are advised of the policy and procedures for managing conflicts. Directors are required to notify the Board of any actual or potential conflicts of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts. The Board has considered and authorised (with or without conditions) where appropriate, potential conflicts as they have arisen during the year in accordance with its conflicts policy and procedures. There are no existing or potential conflicts of interest that are material in relation to debt securities of the Issuer issued pursuant to a relevant Prospectus or other offering document between any duties owed to the Issuer by the directors of the Issuer and the private interests and/or external duties owed by the directors of the Issuer.

## GENERAL INFORMATION

1. There has been no significant change in the financial position or financial performance of the Group nor any material adverse change in the prospects of the Issuer since 31 December 2024.
2. Save as disclosed in Note 26 (*Legal proceedings and regulatory matters*) on pages 129 to 130 of the 2024 Annual Report and Accounts, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings of which the Issuer is aware) during the 12 months prior to the date of this Registration Document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Group.
3. The annual consolidated financial statements of the Issuer contained within the 2024 Annual Report and Accounts and the 2023 Annual Report and Accounts comply with UK-adopted International Accounting Standards and with the requirements of the UK Companies Act 2006. Such financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented.
4. PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, of One Chamberlain Square, Birmingham, B3 3AX has audited without qualification the financial statements of the Issuer contained in the 2023 Annual Report and Accounts and the 2024 Annual Report and Accounts for the financial years ended 31 December 2023 and 31 December 2024, respectively.
5. For so long as the Issuer may issue Securities with respect to which this Registration Document forms part of a Prospectus prepared by the Issuer relating to such Securities, the following documents may be inspected during normal business hours at the registered office of the Issuer or at the website set out by each relevant document listed below for the 12 months from the date of this Registration Document:
  - (a) the up to date articles of the Issuer (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors' and 'Issuance programmes'))); and
  - (b) the 2023 Annual Report and Accounts and the 2024 Annual Report and Accounts (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Results and announcements', 'All reporting' and 'Subsidiaries'))).
6. The Issuer will, at its registered office, make available for inspection during normal business hours, free of charge, upon oral or written request, a copy of this Registration Document and any Prospectus. Written or oral requests for inspection of such documents should be directed to the Issuer's registered office.
7. This Registration Document will be available for viewing at <https://www.hsbc.com/investors/fixed-income-investors/issuance-programmes?page=1&take=20> 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', 'Results and announcements', 'All reporting' and 'Subsidiaries'). For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, information contained on the website does not form part of this Registration Document.
8. The Legal Entity Identifier (LEI) code of the Issuer is 21380081EP12LC86CB82.

**HEAD AND REGISTERED OFFICE OF THE ISSUER**

**HSBC UK Bank plc**

1 Centenary Square  
Birmingham B1 1HQ  
United Kingdom

**AUDITORS TO THE ISSUER**

**PricewaterhouseCoopers LLP**

One Chamberlain Square  
Birmingham B3 3AX  
United Kingdom