

HSBC HOLDINGS PLC
Form 424B2
September 20, 2018
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The information in this preliminary prospectus supplement is incomplete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED SEPTEMBER 20, 2018

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated February 23, 2018)

HSBC Holdings plc

£ % Perpetual Subordinated Contingent Convertible Securities
(Callable and Every Five Years Thereafter)

We are offering £ principal amount of % Perpetual Subordinated Contingent Convertible Securities (Callable and Every Five Years Thereafter) (the Securities). The Securities will be issued pursuant to the indenture dated August 1, 2014 (as amended or supplemented from time to time), as supplemented and amended by an eighth supplemental indenture, which is expected to be entered into on September , 2018 (together, the Indenture). From (and including) the issue date to (but excluding) , (such date and each fifth anniversary date thereafter, a Reset Date), the interest rate on the Securities will be % per annum. From and including each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and %. Subject to cancellation as described further below, we will pay interest on the Securities, if any, in arrear on and of each year, beginning on , 2019.

The interest rate following any Reset Date may be less than the interest rate that applies immediately prior to such Reset Date, including the initial interest rate of %. Moreover, interest will be due and payable on an interest payment date only to the extent it is not cancelled or deemed to have been cancelled in accordance with the terms of the Securities. We will have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date. The terms of the Securities also provide for circumstances under which we will be restricted from making an interest payment (in whole or in part) on an interest payment date, and the interest payable in respect of any such interest payment date will be deemed to have been cancelled (in whole or in part).

The Securities are perpetual and have no fixed maturity or fixed redemption date. As a result, you may not receive any payments with respect to the Securities as we are not required to pay the principal amount of the Securities at any time prior to a Winding-up Event and we will have the sole and absolute discretion at all times and for any reason to cancel in whole any interest payment.

We may redeem the Securities in whole (but not in part) at 100% of their principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption (excluding any cancelled or deemed to have been cancelled interest) on any Reset Date or upon the occurrence of certain tax and regulatory events as described in this prospectus supplement under *Description of the Securities Redemption Special Event Redemption*. Any redemption of the Securities is subject to the restrictions described in this prospectus supplement under *Description of the Securities Redemption Redemption Conditions*.

If the pounds sterling London interbank offered rate ceases to be calculated or administered for publication, the Independent Financial Adviser or we may select an Alternative Base Rate and the manner in which the Mid-Market Swap Rate is calculated or determined may be varied, as described in this prospectus supplement. See *Description of the Securities Interest*.

If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur without delay (but no later than one month following the date on which it is determined such Capital Adequacy Trigger Event has occurred), at which point all of our obligations under the Securities will be released irrevocably and automatically in consideration of our issuance of Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date, and under no circumstances will such released obligations be reinstated. On the Settlement Date, we expect the Conversion Shares Depository to deliver to the securityholders either (i) Conversion Shares (based on the Conversion Price) or (ii) if we elect, in our sole and absolute discretion, that a Conversion Shares Offer be made, the Conversion Shares Offer Consideration (consisting of the *pro rata* share of cash proceeds from the sale of any Conversion Shares pursuant to the Conversion Shares Offer (based on the Conversion Shares Offer Price) and the *pro rata* share of any Conversion Shares not sold pursuant to the Conversion Shares Offer (based on the Conversion Price)). The realizable value of any Conversion Shares received by a securityholder following an Automatic Conversion may be significantly less than the initial Conversion Price and/or the initial Conversion Shares Offer Price of £2.70 per Conversion Share, and the securityholders could lose all or part of their investment in the Securities as a result of the Automatic Conversion.

By its acquisition of the Securities, among other things, each securityholder (which, for these purposes, includes each beneficial owner) will (i) acknowledge and agree that interest is payable solely at our discretion and no amount of interest will become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by us at our sole discretion and/or (y) deemed to have been cancelled (in whole or in part), (ii) consent to all of the terms and conditions of the Securities, including (x) the occurrence of a Capital Adequacy Trigger Event and any related Automatic Conversion following a Capital Adequacy Trigger Event and (y) the appointment of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), the issuance of the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer and (iii) acknowledge and agree that effective upon, and following, a Capital Adequacy Trigger Event, other than any amounts payable in the case of our winding-up or the appointment of an administrator for our administration as described in this prospectus supplement, no securityholder will have any rights against us with respect to repayment of the principal amount of the Securities or payment of interest or any other amount on or in respect of such Securities, in each case that is not due and payable, which liabilities will be automatically released.

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge, accept, consent and agree, notwithstanding any other term of the Securities, the Indenture or any other agreements, arrangements or understandings between us and any securityholder, to be bound by (a) the effect of the exercise of any UK bail-in power (as defined herein) by the relevant UK

resolution authority (as defined herein); and (b) the variation of the terms of the Securities or the Indenture, if necessary, to give effect to the exercise of any UK bail-in power by the relevant UK resolution authority. No repayment or payment of Amounts Due (as defined below) will become due and payable or be paid after the exercise of any UK bail-in power by the relevant UK resolution authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise. For these purposes,

Amounts Due are the principal amount of, and any accrued but unpaid interest, including any **Additional Amounts** (as defined herein), on, the Securities. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK bail-in power by the relevant UK resolution authority. See *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*. Moreover, each securityholder (which, for these purposes, includes each beneficial owner) will consent to the exercise of the UK bail-in power as it may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Securities.

For the avoidance of doubt, the potential conversion of the Securities into shares, other securities or other obligations in connection with the exercise of any UK bail-in power by the relevant UK resolution authority is separate and distinct from an Automatic Conversion following a Capital Adequacy Trigger Event.

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge, accept, consent and agree to be bound by the Independent Financial Adviser's or our determination of the Alternative Base Rate, the Alternative Screen Page (as defined herein) and any Calculation Changes (as defined herein), including as may occur without any prior notice from us and without the need for us to obtain any further consent from such securityholder.

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner), to the extent permitted by the Trust Indenture Act of 1939, as amended, will waive any and all claims, in law and/or in equity, against The Bank of New York Mellon, London Branch, as trustee, for, agree not to initiate a suit against the trustee in respect of, and agree that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities.

Application will be made to The Irish Stock Exchange plc trading as Euronext Dublin (Euronext Dublin) for the approval of this document as listing particulars. Application will be made to Euronext Dublin for the Securities to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin (the GEM). The GEM is not a regulated market for the purposes of Directive 2014/65/EU. Admission to the Official List and trading on the GEM is expected to begin within 30 days of the initial delivery of the Securities.

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

Investing in the Securities involves certain risks. See *Risk Factors* beginning on Page S-23.

The Securities are not intended to be sold and should not be sold to retail investors in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time.

IMPORTANT PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS. The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance

Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prospective investors are referred to the section headed *PRIIPs Regulation Prohibition of sales to EEA retail investors* on page S-3 of this prospectus supplement.

Singapore Securities and Futures Act Product Classification Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the SFA), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Unless otherwise defined, terms that are defined in *Description of the Securities* beginning on page S-53 have the same meaning when used on this cover page.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the related prospectus. Any representation to the contrary is a criminal offense.

	Per Security	Total
Public Offering Price ⁽¹⁾⁽²⁾	%	£
Underwriting Discount	%	£
Proceeds to us (before expenses)	%	£

(1) Plus accrued interest, if any, from September , 2018.

(2) Assumes no exercise of underwriters' over-allotment option described below.

We have agreed to grant HSBC Bank plc (HBEU), on behalf of the underwriters, an option to purchase up to an additional £ principal amount of the Securities (representing an increase of up to 10% of the aggregate principal amount of the Securities), at the public offering price less the underwriting discount solely to cover over-allotments, if any. The over-allotment option is exercisable, at the discretion of HBEU, on behalf of the underwriters, once only, in whole or in part, prior to the date of delivery of the Securities (as set forth on this cover page).

We may use this prospectus supplement and the accompanying prospectus in the initial sale of the Securities. In addition, HBEU or another of our affiliates may use this prospectus supplement and the accompanying prospectus in a market-making transaction in any of these Securities after their initial sale. In connection with any use of this prospectus supplement and the accompanying prospectus by HBEU or another of our affiliates, unless we or our agent informs the purchaser otherwise in the confirmation of sale, you may assume this prospectus supplement and the

accompanying prospectus are being used in a market-making transaction.

The underwriters expect to deliver the Securities to purchasers in book-entry form only through the facilities of Clearstream Banking S.A. and Euroclear Bank SA/NV on or about September 2018.

Sole Structuring Adviser and Book-Running Manager

HSBC

The date of this prospectus supplement is September , 2018.

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MiFID II product governance

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, MiFID II); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a distributor) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Restrictions on marketing and sales to retail investors

The Securities described in this prospectus supplement are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors. In particular, in June 2015, the Financial Conduct Authority (the FCA) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which set out certain rules and took effect from October 1, 2015 (the PI Rules). In addition, (i) on January 1, 2018, the provisions of Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) on key information documents for packaged retail and insurance-based investment products became directly applicable in all European Economic Area (EEA) member states and (ii) MiFID II was required to be implemented in EEA member states by January 3, 2018. Together, the PI Rules, the PRIIPs Regulation and MiFID II are referred to as the Regulations.

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities, such as the Securities.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein) including the Regulations.

HSBC and some or all of the underwriters are required to comply with the Regulations. By purchasing, or making or accepting an offer to purchase (including by an indication of interest), any Securities (or a beneficial interest in such Securities) from HSBC and/or any underwriter, each prospective investor represents, warrants, agrees with and undertakes to HSBC and its affiliates and each of the underwriters and their affiliates that: (1) it is not a retail investor in the EEA; (2) it will not (A) sell, offer or recommend the Securities (or any beneficial interest therein) or otherwise make them available to retail investors in the EEA or (B) communicate (including the distribution of this prospectus supplement or the accompanying prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail investor in the EEA; and (3) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction, having regard to the target market assessment for the Securities. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from HSBC or any underwriter,

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the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client. For the avoidance of doubt, the restrictions described above do not affect the distribution of the Securities in jurisdictions outside the EEA, such as the United States, provided that any distribution into the EEA complies with the PI Rules.

PRIIPS Regulation Prohibition of sales to EEA retail investors

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU), and includes any relevant implementing measure in any Member State.

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the SFA), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

We are responsible for the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and in any related free-writing prospectus we prepare or authorize. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus and in any related free-writing prospectus we prepare or authorize, as well as information we have previously filed with the Securities and Exchange Commission (the SEC) and incorporated by reference, is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters or any of them, to subscribe to or purchase any of the Securities, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

In connection with the issue of the Securities, HSBC Bank plc (HBEU) or any person acting for it may over-allot Securities (provided that the aggregate principal amount of Securities allotted does not exceed 115% of the aggregate principal amount of the Securities subject to the offering) or effect transactions with a view to supporting the market

price of the Securities at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on HBEU or any agent of it to do this.

Any stabilization may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of

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30 days after we receive the proceeds of the issue and 60 days after the date of the allotment of any Securities. Such stabilizing, if commenced, may be effected on any stock exchange, over-the-counter market or otherwise, in accordance with all applicable laws and rules.

HBEU and certain of the other underwriters are each authorized by the UK Prudential Regulation Authority (the PRA) and regulated by the PRA and the Financial Conduct Authority in the United Kingdom (UK). None of the underwriters is acting for any actual or prospective holders of instruments, and are neither advising nor treating as a client any other person and will not be responsible to any actual or prospective holders of instruments and will not be responsible to anyone other than HSBC Holdings plc for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this prospectus supplement and the accompanying prospectus or any transaction or arrangement referred to herein. None of the underwriters nor any of their respective affiliates has authorized the content of, or any part of, this prospectus supplement and the accompanying prospectus.

The Securities may not be a suitable investment for all investors and you must determine the suitability (either alone or with the help of a financial adviser) of an investment in the Securities in light of your own circumstances. In particular, each potential investor should:

have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus;

have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments (pounds sterling) is different from the currency in which such investor's financial activities are principally denominated;

understand thoroughly the terms of the Securities, such as the provisions regarding the cancellation of interest, Automatic Conversion upon a Capital Adequacy Trigger Event and the UK bail-in power, and be familiar with the behavior of any relevant indices and financial markets and the potential impact on the Securities of the cancellation of interest, Automatic Conversion upon a Capital Adequacy Trigger Event and/or the exercise of the UK bail-in power;

understand that the price, if any, at which securities dealers may be willing to purchase or sell the Securities in the secondary market may be influenced by factors that are beyond our control, and such potential investor may not be able to obtain a price equal to the price it paid for its Securities in the secondary market;

be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

consult its own financial and legal advisers as to the foreign currency risks involved in an investment in the Securities, as the description of such risks in this prospectus supplement do not describe all of the risks of an investment in securities denominated in a currency other than the currency of the country in which such investor is a resident or the currency in which such investor primarily conducts its business or activities.

You should not invest in the Securities unless you have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities due to the likelihood of our cancelling interest, the occurrence of a Capital Adequacy Trigger Event and corresponding Automatic Conversion or an exercise of the UK bail-in power and the impact this investment will have on your overall investment portfolio. Prior to making an investment decision, you

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should consider carefully, in light of your own financial circumstances and investment objectives, all the information contained in this prospectus supplement and the accompanying prospectus and incorporated by reference herein and therein.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This prospectus supplement has been prepared on the basis that any offer of the Securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer in that Member State of the Securities which are the subject of an offering contemplated in this prospectus supplement as completed by final terms in relation to the offer of those Securities may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither we nor any of the underwriters have authorized, nor do we or any of the underwriters authorize, the making of any offer of the Securities in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer. Neither we nor the underwriters have authorized, nor do we authorize, the making of any offer of the Securities through any financial intermediary, other than offers made by the underwriters, which constitute the final placement of the Securities contemplated in this prospectus supplement.

Each securityholder (which, for these purposes, includes each beneficial owner) acknowledges that The Stock Exchange of Hong Kong Limited (the HKSE) and the Securities and Futures Commission of Hong Kong (the SFC) may request us to report certain information with respect to such securityholder (which may be obtained from the underwriters), including, among other things, such securityholder s name, countries of operation and allotment sizes, that we may provide the HKSE and the SFC with any such requested information with respect to such securityholder and that our major securityholders (which may include those who have invested in the Securities) and their respective interests may be disclosed in our annual and interim reports (which disclosure as of the date of this prospectus supplement would be required by those who have an interest in 5% or more of any class of our voting shares, including any interest in unissued shares that may be issuable upon conversion of the Securities) and/or other public filings as may be required to be made in the future by us in accordance with applicable stock exchange rules or regulatory requirements.

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CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER DATA

Definitions

As used in this prospectus supplement and the accompanying prospectus, the terms HSBC Holdings, we, us and our refer to HSBC Holdings plc. HSBC Group and HSBC mean HSBC Holdings together with its subsidiary undertakings.

Presentation of Financial Information

The consolidated financial statements of HSBC Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (the IASB) and as endorsed by the European Union (EU). EU-endorsed IFRSs could differ from IFRSs as issued by the IASB, if, at any point in time, new or amended IFRSs were to be endorsed by the EU. As of December 31, 2017, there were no unendorsed standards effective for the year ended December 31, 2017 affecting our consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2017 filed with the SEC on February 20, 2018 (the 2017 Form 20-F), and as of June 30, 2018, there were no unendorsed standards effective for the period ended June 30, 2018 affecting our interim condensed consolidated financial statements, included in our Interim Report for the six-month period ended June 30, 2018, furnished under cover of Form 6-K to the SEC on August 6, 2018 (the 2018 Interim Report). As of December 31, 2017 and June 30, 2018 there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC s financial statements for the year ended December 31, 2017 and the six-month period ended June 30, 2018 were prepared in accordance with IFRSs as issued by the IASB.

We use the U.S. dollar as our presentation currency in our consolidated financial statements because the U.S. dollar and currencies linked to it form the major currency bloc in which we transact and fund our business.

With the exception of the capital ratios presented under *HSBC Holdings plc*, the financial information presented in this document has been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. See *Where You Can Find More Information About Us*.

Currency

In this prospectus supplement, all references to (i) U.S. dollars, US\$, or \$ are to the lawful currency of the United States of America; (ii) pounds sterling or £ are to the lawful currency of the UK; (iii) ¥ are to the lawful currency of Japan; and (iv) S\$ are to the lawful currency of the Republic of Singapore.

LIMITATIONS ON ENFORCEMENT OF US LAWS AGAINST US, OUR MANAGEMENT AND OTHERS

We are an English public limited company. Most of our directors and executive officers (and certain experts named in this prospectus supplement and the accompanying prospectus or in documents incorporated herein by reference) are resident outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or us in U.S. courts judgments obtained in U.S. courts predicated

upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English solicitors, Cleary Gottlieb Steen & Hamilton LLP, that there is doubt as to enforceability in the English courts, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in the UK. The enforceability of any judgment in the UK will depend on the particular facts of the case in effect at the time.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as believes, expects, estimate, may, intends, plan, will, should, potential, reasonably possible negative thereof or similar expressions, or by discussions of strategy. These forward-looking statements include statements relating to: implementation and exercise of the UK bail-in powers; our plan to issue additional senior debt securities; interest payments, restrictions and cancellations; sale, price and delivery of Conversion Shares; occurrence and effects of certain trigger and conversion events; our capital requirements and potential management actions taken to meet such requirements; potential remedies and protections; changes in the market price of our ordinary shares; and listing of the Securities. We have based the forward-looking statements on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us, as described under Cautionary statement regarding forward-looking statements contained in the 2017 Form 20-F. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Additional information, including information on factors which may affect HSBC's business, is contained in the 2017 Form 20-F, the Form 6-K furnished to the SEC on May 4, 2018 (furnishing the earnings release for the period ended March 31, 2018) (the 2018 Q1 Earnings Release) and the 2018 Interim Report.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We have filed with the SEC a registration statement on Form F-3 (No. 333-223191) (the Registration Statement) under the Securities Act of 1933, as amended (the Securities Act), with respect to the Securities offered by this prospectus supplement. As permitted by the rules and regulations of the SEC, this prospectus supplement and the accompanying prospectus omit certain information, exhibits and undertakings contained in the Registration Statement. For further information with respect to us or the Securities, please refer to the Registration Statement, including its exhibits and the financial statements, notes and schedules filed as a part thereof. Statements contained in this prospectus supplement and the accompanying prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. In addition, we file with the SEC annual reports and special reports, proxy statements and other information. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Documents filed with the SEC are also available to the public on the SEC's internet site at <http://www.sec.gov>.

We are incorporating by reference in this prospectus supplement and the accompanying prospectus the information in the documents that we file with the SEC, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus. Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents will not create any implication that there has been no change in our affairs since the date thereof or that the information contained therein is current as of any time

subsequent to its date. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In the case of a conflict or inconsistency between information contained in this

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prospectus supplement and information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later. We incorporate by reference in this prospectus supplement and the accompanying prospectus the 2017 Form 20-F, the Form 6-K furnished to the SEC on February 27, 2018 (furnishing the IFRS 9 transition report), the Form 6-K furnished to the SEC on April 20, 2018 (furnishing the changes to our articles of association and the corresponding amendments to certain registration statements on Form F-3, including the Registration Statement), the 2018 Q1 Earnings Release and the 2018 Interim Report.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, to the extent expressly stated therein, certain reports on Form 6-K furnished by us after the date of this prospectus supplement will also be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and the accompanying prospectus and to be a part hereof from the date of filing of such document.

You may request a copy of these documents at no cost to you by writing or telephoning us at either of the following addresses:

Group Company Secretary

HSBC Holdings plc

8 Canada Square

London E14 5HQ

United Kingdom

Tel: +44-20-7991-8888

HSBC Holdings plc

c/o HSBC Bank USA, National Association

452 Fifth Avenue

New York, New York, 10018

Attn: Company Secretary

Tel: +1-212-525-5000

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The following summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial statements and related notes incorporated by reference herein, before making an investment decision. Terms which are defined in Description of the Securities included in this prospectus supplement beginning on page S-53 have the same meaning when used in this summary.

Issuer	HSBC Holdings plc.
Securities Offered	% Perpetual Subordinated Contingent Convertible Securities (Callable and Every Five Years Thereafter) in an aggregate principal amount of £ (or up to £ (representing an increase of up to 10% of the aggregate principal amount) if the underwriters over-allotment option is exercised in full) (the Securities).
Issue Date	September , 2018.
Interest	From (and including) the issue date to (but excluding) , , the interest rate on the Securities will be % per annum (the Initial Interest Rate). From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and % (the Margin).
Reset Dates	, and each fifth anniversary date thereafter (each such date, a Reset Date).
	Each period from (and including) a Reset Date to (but excluding) the following Reset Date will be a Reset Period.
Reset Determination Date	The second London banking day immediately preceding a Reset Date (each, a Reset Determination Date).
Mid-Market Swap Rate	Means the Mid-Market Swap Rate Quotation that appears on Reuters page ICESWAP4 (or such other page as may replace such page on Reuters or such other information service, in each case, as may be nominated by the person providing or sponsoring the information

appearing on such page for purposes of displaying comparable rates) (the relevant screen page) as of approximately 11:00 a.m. (London time) on the relevant Reset Determination Date, all as determined by the calculation agent (the Mid-Market Swap Rate); *provided, however*, that if no such rate appears on the relevant screen page for a five-year term, then the Mid-Market Swap Rate will be determined through the use of straight-line interpolation by reference to two rates, one of which will be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which will be determined in accordance with the above provisions, but as if the relevant Reset Period were the

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period of time for which rates are available next longer than the length of the actual Reset Period; *provided further* that if on any Reset Determination Date the relevant screen page is not available or the Mid-Market Swap Rate does not appear on the relevant screen page, subject to the first proviso in the definition of Mid-Market Swap Rate Quotation below, the calculation agent will request the principal office in London of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Market Swap Rate (as selected by us on the advice of an investment bank of international repute) (the Reference Banks) to provide it with its Mid-Market Swap Rate Quotation as of approximately 11:00 a.m. (London time) on the relevant Reset Determination Date. If two or more of the Reference Banks provide the calculation agent with Mid-Market Swap Rate Quotations, the interest rate for the relevant Reset Period will be the sum of the Margin and the arithmetic mean of the relevant Mid-Market Swap Rate Quotations, as determined by the calculation agent. If only one or none of the Reference Banks provides the calculation agent with a Mid-Market Swap Rate Quotation, the interest rate will be determined to be the rate of interest as of the last preceding Reset Date or, in the case of the initial Reset Determination Date, the Initial Interest Rate.

Mid-Market Swap Rate Quotation

Means a quotation (expressed as a percentage rate per annum) for the mean of the bid and offered rates for the fixed leg payable semi-annually (calculated on the basis of the actual number of days in the relevant period from (and including) the date on which interest begins to accrue to (but excluding) the date on which it falls due divided by 365) of a fixed-for-floating interest rate swap transaction in pounds sterling which transaction (i) has a five-year term commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the pounds sterling swap rate market at 11:00 a.m. (London time) with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on six-month LIBOR (calculated on the basis of the actual number of days in the relevant period from (and including) the date on which interest begins to accrue to (but excluding) the date on which it falls due divided by 365); *provided* that, notwithstanding the second proviso in the definition of Mid-Market Swap Rate, if we (in consultation with the calculation agent) determine that the Mid-Market Swap Rate has ceased to be published on the relevant screen page as a result of LIBOR ceasing to be calculated or administered for publication, we will use reasonable efforts to appoint an Independent Financial Adviser (as defined below) to determine the Alternative Base Rate (as defined below) and the Alternative Screen Page (as defined below) by no later than five business days prior to the Reset Determination Date (the Reset Determination Cut-off Date). If we are unable to appoint an Independent Financial Adviser, or if the Independent Financial Adviser fails to determine the Alternative Base Rate and the Alternative Screen Page prior to the Reset Determination Cut-off Date, we will determine

the Alternative Base Rate and the Alternative Screen Page for the Reset Period. In

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either case, the Mid-Market Swap Rate Quotation will then be the quotation for the mean of bid and offered rates determined as provided above but as if the reference to LIBOR was a reference to the Alternative Base Rate on the Alternative Screen Page with any required Calculation Changes (as defined below). Notwithstanding the foregoing, if we do not determine the Alternative Base Rate and the Alternative Screen Page prior to the Reset Determination Date, the interest rate will be determined to be the rate of interest as of the last preceding Reset Date or, in the case of the initial Reset Determination Date, the Initial Interest Rate.

If the Independent Financial Adviser or we determine the Alternative Base Rate, the Independent Financial Adviser or we, as applicable, may also, following consultation with the calculation agent, make changes to the day count fraction, the business day convention and the definition of business day, in each case in order to follow market practice, as well as any other changes (including to the Margin) that we, following consultation with the Independent Financial Adviser (if appointed), determine in good faith are reasonably necessary to ensure the proper operation of the Alternative Base Rate or the Mid-Market Swap Rate, as well as the comparability of the interest rate determined by reference to the Alternative Base Rate to the interest rate determined by reference to LIBOR (the Calculation Changes).

We will promptly give notice of the determination of the Alternative Base Rate, the Alternative Screen Page and any Calculation Changes to the trustee, the paying agent, the calculation agent and the securityholders; *provided* that failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such determination.

Alternative Base Rate means the rate that has replaced LIBOR in customary market usage for determining floating interest rates in respect of bonds denominated in pounds sterling or, if the Independent Financial Adviser or we (in consultation with the calculation agent and acting in good faith and a commercially reasonable manner), as applicable, determine that there is no such rate, such other rate as the Independent Financial Adviser or we (in consultation with the calculation agent and acting in good faith and a commercially reasonable manner), as applicable, determine in its or our sole discretion is most comparable to LIBOR.

Alternative Screen Page means the alternative screen page, information service or source on which the Alternative Base Rate appears (or such other page, information service or source as may replace the alternative screen page, information service or source, in each case, as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates).

Independent Financial Adviser means an independent financial institution of international repute or other independent financial

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adviser experienced in the international capital markets, in each case appointed by us at our own expense.

Agreement with Respect to the Alternative Base Rate

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) (i) will acknowledge, accept, consent and agree to be bound by the Independent Financial Adviser's or our determination of the Alternative Base Rate, the Alternative Screen Page and any Calculation Changes, including as may occur without any prior notice from us and without the need for us to obtain any further consent from such securityholder, (ii) will waive any and all claims, in law and/or in equity, against the trustee, the paying agent and the calculation agent for, agree not to initiate a suit against the trustee, the paying agent and the calculation agent in respect of, and agree that none of the trustee, the paying agent or the calculation agent will be liable for, the determination of or the failure to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes and any losses suffered in connection therewith and (iii) will agree that none of the trustee, the paying agent or the calculation agent will have any obligation to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes (including any adjustments thereto), including in the event of any failure by us to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes.

Interest Payment Dates

Interest on the Securities, if any, will be payable in arrear on and of each year, beginning on , 2019.

Discretionary Interest Payments

We will have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date (the Discretionary Interest Payment Right).

Restriction on Interest Payments

Without prejudice to the Discretionary Interest Payment Right or the prohibition contained in Article 141(2) of CRD (as defined under *Description of the Securities Definitions*) (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) on the making of payments on the Securities before the Maximum Distributable Amount has been calculated, subject to the extent permitted in the following paragraph in respect of partial interest payments in respect of the Securities, we will not make an interest payment on any interest payment date (and such interest payment will therefore be deemed to have been cancelled and thus will not be due and payable on such interest payment date) if:

- (a) the amount of Relevant Distributions exceeds the amount of Distributable Items as of such interest payment date;
- (b) the aggregate of (x) the interest amount payable in respect of the Securities and (y) the amounts of any distributions of the kind

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referred to in Article 141(2) of CRD (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) exceeds the Maximum Distributable Amount (if any) applicable to us as of such interest payment date;

- (c) the Solvency Condition is not satisfied in respect of such interest payment; or
- (d) the Relevant Regulator orders us to cancel (in whole or in part) the interest otherwise payable on such interest payment date.

We may, in our sole discretion, elect to make a partial interest payment on the Securities on any interest payment date, only to the extent that such partial interest payment may be made without breaching the restriction in the preceding paragraph. For the avoidance of doubt, the portion of interest not paid on the relevant interest payment date will be deemed to have been cancelled and thus will not be due and payable on such interest payment date.

Distributable Items means the amount of our profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of the Securities and any Parity Securities and Junior Securities less any losses brought forward, profits which are non-distributable pursuant to the Companies Act 2006 (UK), as amended from time to time (the Companies Act) or other provisions of English law from time to time applicable to us or our Memorandum and Articles of Association (our Articles of Association) and sums placed to non-distributable reserves in accordance with the Companies Act or other provisions of English law from time to time applicable to us or our Articles of Association, those losses and reserves being determined on the basis of our individual accounts and not on the basis of our consolidated accounts.

Junior Securities means, in respect of the Securities, (i) any of our ordinary shares or our other securities that rank, or are expressed to rank, junior to the Securities in our winding-up or administration as described under *Description of the Securities Subordination* and/ or (ii) any securities issued by any other member of the HSBC Group where the terms of such securities benefit from a guarantee or support agreement entered into by us that ranks, or is expressed to rank, junior to the Securities in our winding-up or administration as described under *Description of the Securities Subordination* and/or (iii) any of our capital

instruments that qualify as common equity Tier 1 instruments under the Relevant Rules.

Maximum Distributable Amount means any applicable maximum distributable amount relating to us required to be calculated in accordance with Article 141 of CRD (and any implementation of such provision in the UK or, as the case may be, any succeeding provision

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amending or replacing such Article or any such implementing provision).

Parity Securities means, (i) the most senior ranking class or classes of preference shares in our capital from time to time and any other of our securities ranking, or expressed to rank, *pari passu* with the Securities and/or such senior preference shares in our winding-up or administration as described under *Description of the Securities Subordination*, and/or (ii) any securities issued by any other member of the HSBC Group where the terms of such securities benefit from a guarantee or support agreement entered into by us which ranks or is expressed to rank *pari passu* with the Securities and/or such senior preference shares in our winding-up or administration as described under *Description of the Securities Subordination*.

Relevant Distributions means, in relation to any interest payment date, the sum of (i) all distributions or interest payments made or declared by us since the end of the last financial year and prior to such interest payment date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all distributions or interest payments payable by us (and not cancelled or deemed to have been cancelled) on such interest payment date on or in respect of any Parity Securities, the Securities and any Junior Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items.

Solvency Condition means the condition that, other than in the event of our winding-up or administration, as described in *Description of the Securities Subordination*, or with respect to the payment of the cash proceeds from any Conversion Shares Offer Consideration, as described under *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event Conversion Shares Offer*, payments in respect of, or arising from, the Securities will be conditional (x) upon our being solvent at the time of payment by us, and (y) in that no sum in respect of or arising from the Securities may fall due and be paid except to the extent that we could make such payment and still be solvent immediately thereafter. For purposes of determining whether the Solvency Condition is met, we will be considered to be solvent at a particular point in time if (x) we are able to pay our debts owed to Senior Creditors as they fall due and (y) the Balance Sheet Condition has been met.

Notice of Interest Cancellation

If practicable, we will provide notice of any cancellation or deemed cancellation of interest (in each case, in whole or in part) to the securityholders through the Clearing Systems (as defined below) (or, if the Securities are held in definitive form, to the securityholders at their

addresses shown on the register for the Securities) and to the trustee and the paying agent directly on or prior to the relevant interest payment date. If practicable, we will endeavor to do so at least five business days prior to the relevant interest payment date. Failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such cancellation or

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deemed cancellation of interest (and accordingly, such interest will not be due and payable), or give the securityholders any rights as a result of such failure.

Agreement to Interest Cancellation

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge and agree that:

- (a) interest is payable solely at our discretion and no amount of interest will become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by us at our sole discretion and/or (y) deemed to have been cancelled (in whole or in part), including as a result of our Distributable Items or the Maximum Distributable Amount being exceeded, failing to satisfy the Solvency Condition or an order from the Relevant Regulator; and
- (b) a cancellation or deemed cancellation of interest (in each case, in whole or in part) in accordance with the terms of the Indenture (as defined below) and the Securities will not constitute a default in payment or otherwise under the terms of the Indenture or the Securities.

Optional Redemption

The Securities will not be redeemable at the option of the securityholders at any time.

The Securities may be redeemed in whole (but not in part) at our option on any Reset Date, at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption (which interest will exclude any interest that is cancelled or deemed to have been cancelled as described under *Description of the Securities Interest Interest Cancellation*). Any redemption of the Securities is subject to the restrictions described under *Description of the Securities Redemption Redemption Conditions*.

Special Event Redemption

The Securities may be redeemed in whole (but not in part) at our option upon the occurrence of a Tax Event or a Capital Disqualification Event. See *Description of the Securities Redemption Special Event Redemption*. In each case, the redemption price will be equal to 100% of the principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption (which interest will exclude any interest that is cancelled or deemed to have been cancelled as described under *Description of the*

Securities Interest Interest Cancellation). Any redemption of the Securities is subject to the restrictions described under *Description of the Securities Redemption Redemption Conditions*.

Notice of Redemption

Any redemption of the Securities will be subject to our giving prior notice to the securityholders as described under *Description of the Securities Redemption Notice of Redemption*.

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A redemption notice will be automatically rescinded and will have no force and effect, and no redemption amount will be due and payable, if either (x) the Solvency Condition is not satisfied in respect of the relevant redemption amount on the applicable redemption date, (y) a Capital Adequacy Trigger Event occurs prior to the applicable redemption date (in which case, an Automatic Conversion will occur as described under *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event*) or (z) the relevant UK resolution authority exercises its UK bail-in power prior to the applicable redemption date.

Capital Adequacy Trigger Event

A Capital Adequacy Trigger Event will occur if at any time the end-point CET1 Ratio is less than 7.0%. Whether a Capital Adequacy Trigger Event has occurred at any time will be determined by us, the Relevant Regulator or any agent of the Relevant Regulator appointed for such purpose by the Relevant Regulator.

end-point CET1 Ratio means, as of any date, the ratio of CET1 Capital to the Risk Weighted Assets, in each case as of such date, expressed as a percentage.

CET1 Capital means, as of any date, the sum, expressed in U.S. dollars, of all amounts that constitute common equity Tier 1 capital of the HSBC Group as of such date, less any deductions from common equity Tier 1 capital required to be made as of such date, in each case as calculated by us on a consolidated basis and without applying the transitional provisions set out in Part Ten of the CRR (or in any successor provisions thereto or any equivalent provisions of the Relevant Rules which replace or supersede such provisions) in accordance with the Relevant Rules applicable to us as of such date (which calculation will be binding on the trustee, the paying agent and the securityholders). For the purposes of this definition, the term common equity Tier 1 capital will have the meaning assigned to such term in CRD IV (as the same may be amended or replaced from time to time) as interpreted and applied in accordance with the Relevant Rules then applicable to the HSBC Group or by the Relevant Regulator.

Risk Weighted Assets means, as of any date, the aggregate amount, expressed in U.S. dollars, of the risk weighted assets of the HSBC Group as of such date, as calculated by us on a consolidated basis and without applying the transitional provisions set out in Part Ten of the CRR (or in any successor provisions thereto or any equivalent provisions of the Relevant Rules which replace or supersede such provisions) in accordance with the Relevant Rules applicable to us as of such date

(which calculation will be binding on the trustee, the paying agent and the securityholders). For the purposes of this definition, the term risk weighted assets means the risk weighted assets or total risk exposure amount, as calculated by us in accordance with the Relevant Rules.

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Automatic Conversion upon a Capital Adequacy Trigger Event

If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur without delay (but no later than one month following the date on which it is determined such Capital Adequacy Trigger Event has occurred), as described under *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event Procedure Automatic Conversion Procedure*, at which point all of our obligations under the Securities will be irrevocably and automatically released in consideration of our issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the date on which the Automatic Conversion will take place, or has taken place, as applicable (such date, the Conversion Date), and under no circumstances will such released obligations be reinstated.

After a Capital Adequacy Trigger Event, subject to the conditions described under *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event Procedure*, we expect the Conversion Shares Depository to deliver to the securityholders on the Settlement Date either (i) Conversion Shares or (ii) if we elect, in our sole and absolute discretion, that a Conversion Shares Offer be made, the Conversion Shares Offer Consideration.

The Securities will not be convertible into Conversion Shares at the option of the securityholders at any time.

Conversion Shares means our ordinary shares to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) following an Automatic Conversion, which ordinary shares will be in such number as is determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of ordinary shares. The Conversion Price is fixed initially at £2.70 and is subject to certain anti-dilution adjustments as described under *Description of the Securities Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price*.

Conversion Shares Offer means, our election, at our sole and absolute discretion, that the Conversion Shares Depository make an offer of all or some of the Conversion Shares to all or some of our ordinary shareholders at a cash price per Conversion Share equal to the Conversion Shares Offer Price, subject to the conditions described further under *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event Procedure*.

Conversion Shares Offer Price is fixed initially at £2.70 per Conversion Share and is subject to certain anti-dilution adjustments as described under *Description of the Securities Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price*.

Conversion Shares Offer Consideration means in respect of each Security (i) if all the Conversion Shares are sold in the Conversion

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Shares Offer, the *pro rata* share of the cash proceeds from such sale attributable to such Security in pounds sterling (the *pro rata* cash component), (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the *pro rata* cash component and (y) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Conversion Shares, and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Security rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) in order for the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) to conduct the Conversion Shares Offer.

Agreement with Respect to a Capital Adequacy Trigger Event

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will (i) consent to all of the terms and conditions of the Securities, including (x) the occurrence of a Capital Adequacy Trigger Event and any related Automatic Conversion following a Capital Adequacy Trigger Event and (y) the appointment of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), the issuance of the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer, (ii) acknowledge and agree that effective upon, and following, a Capital Adequacy Trigger Event, other than any amounts payable in the case of our winding-up or the appointment of an administrator for our administration as described under *Description of the Securities Subordination*, no securityholder will have any rights against us with respect to repayment of the principal amount of the Securities or payment of interest or any other amount on or in respect of such Securities, in each case that is not due and payable, which liabilities will be automatically released, (iii) acknowledge and agree that events in, and related to, clause (i) may occur without any further action on the part of such securityholder (or beneficial owner), the trustee or the paying agent, (iv) authorize, direct and request the Clearing Systems and any direct participant in the Clearing Systems or other intermediary through which it holds such Securities to take any and all necessary action, if required, to implement the Automatic Conversion without any further action or direction on the part of such securityholder (or beneficial owner), the trustee or the paying agent and (v) waive, to the extent permitted by the

Trust Indenture Act of 1939, as amended, any claim against the trustee arising out of its acceptance of its trusteeship

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for the Securities, including, without limitation, claims related to or arising out of or in connection with a Capital Adequacy Trigger Event and/or any Automatic Conversion.

Agreement with Respect to a Conversion Shares Offer If we elect, in our sole and absolute discretion, that a Conversion Shares Offer be conducted, by its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will: (i) consent to (x) any Conversion Shares Offer and to the Conversion Shares Depository's using the Conversion Shares to settle any Conversion Shares Offer in accordance with the terms of the Securities, notwithstanding that such Conversion Shares are held by the Conversion Shares Depository on behalf of the securityholders and (y) the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depository in connection with the Conversion Shares Offer in accordance with the terms of the Securities, and (ii) irrevocably agree that (x) we, the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Securities, and (y) neither we, the trustee, the paying agent, the Conversion Shares Depository nor the Conversion Shares Offer Agent, if any, will, to the extent permitted by applicable law, incur any liability to the securityholders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depository in respect of the securityholders' entitlement to any Conversion Shares Offer Consideration).

Agreement with Respect to the Exercise of UK Bail-in Power By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge, accept, consent and agree, notwithstanding any other term of the Securities, the Indenture or any other agreements, arrangements or understandings between us and any securityholder, to be bound by (a) the effect of the exercise of any UK bail-in power (as defined under *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*) by the relevant UK resolution authority (as defined under *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*); and (b) the variation of the terms of the Securities or the Indenture, if necessary, to give effect to the exercise of any UK bail-in power by the relevant UK resolution authority. No repayment or payment of Amounts Due will become due and payable or be paid after the exercise of any UK bail-in power by the relevant UK resolution authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise. For these purposes, Amounts Due are the principal amount of, and any accrued but unpaid interest, including any Additional Amounts (as defined under *Description of the Securities Additional Amounts*), on, the Securities.

References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to

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the exercise of any UK bail-in power by the relevant UK resolution authority. See *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*.

Moreover, each securityholder (which, for these purposes, includes each beneficial owner) will consent to the exercise of the UK bail-in power as it may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Securities.

For the avoidance of doubt, the potential conversion of the Securities into shares, other securities or other obligations in connection with the exercise of any UK bail-in power by the relevant UK resolution authority is separate and distinct from an Automatic Conversion following a Capital Adequacy Trigger Event.

Payment of Additional Amounts

We will pay additional amounts in respect of the Securities in the circumstances described under *Description of the Securities Additional Amounts*.

Subordination

The Securities will constitute our direct, unsecured and subordinated obligations, ranking equally without any preference among themselves. The Securities will be subordinated to the claims of Senior Creditors.

Senior Creditors means our creditors (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated to the claims of our unsubordinated creditors but not further or otherwise; or (iii) whose claims are, or are expressed to be, junior to the claims of our other creditors, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the securityholders in a winding-up occurring prior to a Capital Adequacy Trigger Event. For the avoidance of doubt, holders of any of our existing or future Tier 2 capital instruments will be Senior Creditors.

Form of Securities

The Securities will be issued in the form of one or more global securities registered in the name of the common depository or its nominee for, and deposited with, Clearstream Banking S.A. in Luxembourg (Clearstream Luxembourg) and/or Euroclear Bank SA/NV (Euroclear and, together with Clearstream Luxembourg, the Clearing Systems). See *Form, Settlement and Clearance*.

**Trading through Clearstream
Luxembourg and Euroclear**

Initial settlement for the Securities will be made in immediately available funds. Secondary market trading between Clearstream Luxembourg customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds. See *Form, Settlement and Clearance*.

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Listing	Application will be made to The Irish Stock Exchange plc trading as Euronext Dublin (Euronext Dublin) for the approval of this document as listing particulars. Application will be made to Euronext Dublin for the Securities to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin (the GEM). The GEM is not a regulated market for the purposes of Directive 2014/65/EU.
Sinking Fund	There will be no sinking fund for the Securities.
Trustee	We will issue the Securities under the indenture dated August 1, 2014 (as amended or supplemented from time to time), as supplemented and amended by an eighth supplemental indenture, which is expected to be entered into on September , 2018, with The Bank of New York Mellon, London Branch, as trustee (the indenture, together with the eighth supplemental indenture, the Indenture).
Paying Agent	HSBC Bank USA, National Association, or its successor appointed by us pursuant to the Indenture.
Calculation Agent	HSBC Bank USA, National Association, or its successor appointed by us, pursuant to a calculation agent agreement expected to be entered into on September , 2018.
Use of Proceeds	We will use the net proceeds from the sale of the Securities for general corporate purposes and to further strengthen our capital base pursuant to requirements under CRD IV (as defined under <i>Description of the Securities Definitions</i>).
Conflicts of Interest	HSBC Bank plc is not a U.S. registered broker-dealer and, therefore, to the extent that it intends to effect any sales of the Securities in the United States, it will do so through HSBC Securities (USA) Inc. (HSI). HSI is an affiliate of HSBC Holdings, and, as such, is deemed to have a conflict of interest under Rule 5121 of the Financial Industry Regulatory Authority (FINRA). Accordingly, the offering of the Securities is being conducted in compliance with the requirements of the FINRA Rule 5121 addressing conflicts of interest when distributing the securities of an affiliate. Neither HSI nor any of our other affiliates will sell any Securities into any of its discretionary accounts without the prior specific written approval of the accountholder.
Minimum Denominations	

The Securities will be issued only in registered form in minimum denominations of £200,000 and in integral multiples of £1,000 in excess thereof.

Business Day

Any day on which banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England, and in New York City, New York, or, if the Securities are held in definitive form, in the case of payment by transfer to a pounds sterling account, any day on which dealings in foreign currencies may be carried on in London, England, and in New

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York City, New York; and in the case of surrender (or, in the case of part payment only, endorsement) of any Securities in definitive form, any day on which banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place in which the Securities in definitive form are surrendered (or, as the case may be, endorsed).

Governing Law and Jurisdiction

The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions of the Indenture and of the Securities (see *Description of the Securities Subordination*) will be governed by, and construed in accordance with, the laws of England and Wales. Any legal proceedings arising out of, or based upon, the Indenture or the Securities may be instituted in any state or federal court in the Borough of Manhattan in New York City, New York.

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Table of Contents**RISK FACTORS**

An investment in the Securities involves significant risk. Accordingly, you should consider carefully all of the information set forth in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including the section entitled Risk Factors, before you decide to invest in the Securities. Terms which are defined in Description of the Securities included in this prospectus supplement beginning on page S-53 have the same meaning when used in this section.

Risks Relating to HSBC's Business

For information on risks relating to HSBC's business, you should read the risks described in the 2017 Form 20-F, including the section entitled *Risk factors* on pages 98 through 106 and Note 34 (*Legal proceedings and regulatory matters*) to the consolidated financial statements included therein on pages 280 through 286, and the 2018 Interim Report, including the section entitled *Risk Areas of Special Interest* on page 48 and Note 12 (*Legal proceedings and regulatory matters*) to the interim condensed consolidated financial statements included therein on pages 103 through 109, which are incorporated by reference in this prospectus supplement, and/or similar disclosure in subsequent filings incorporated by reference in this prospectus supplement.

Risks Relating to the Securities

The Securities have no fixed maturity and no fixed redemption date and you do not have the right to accelerate the repayment of the principal amount of the Securities prior to a Winding-up Event.

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Moreover, you do not have the right to cause the Securities to be redeemed or otherwise accelerate the repayment of the principal amount of the Securities prior to a Winding-up Event (as described under *Description of the Securities Default and Remedies*). Accordingly, we are under no obligation to repay or redeem (in whole or in part) the principal amount of the Securities at any time prior to such Winding-up Event and, as a result, you may not receive any payments of principal on the Securities.

Interest on the Securities will be due and payable on an interest payment date only if it is not cancelled or deemed to have been cancelled, and we may cancel interest (in whole or in part), in our absolute and sole discretion, at any time.

Interest will be due and payable only on an interest payment date to the extent it is not cancelled or deemed to have been cancelled in accordance with the terms of the Securities. Although we may, in our sole discretion, elect to make a partial interest payment on the Securities on any interest payment date, we may do so only to the extent that such partial interest payment may be made without breaching the restriction described below. Moreover, any portion of interest not paid on the relevant interest payment date will be deemed to have been cancelled.

We will have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date. If we do not make an interest payment in respect of the Securities on the relevant interest payment date (or if we elect to make a payment of a portion, but not all, of such interest payment), such non-payment will evidence the exercise of our discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) will not be due and payable. Moreover, notwithstanding such cancellation or that the Securities rank senior to our ordinary shares, we may use funds that could have been applied to make such cancelled interest payments to pay dividends on our ordinary or preference shares or to meet our other obligations as they become due,

including on any Parity Securities (such as any other series of contingent convertible securities we may issue under the Indenture). It is the current intention of our board of

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directors to take into account the relative ranking in our capital structure of our ordinary shares and outstanding additional Tier 1 securities whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, our board of directors may depart from this policy at any time in its sole discretion.

In addition, we will not make an interest payment on any interest payment date, and such interest payment will therefore be deemed to have been cancelled (and thus will not be due and payable on such interest payment date), if:

the amount of Relevant Distributions exceeds the amount of Distributable Items as of such interest payment date;

the aggregate of (x) the interest amount payable in respect of the Securities and (y) the amounts of any distributions of the kind referred to in Article 141(2) of CRD (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) exceeds the Maximum Distributable Amount (if any) applicable to us as of such interest payment date (see *Risks Relating to the Securities Existing or new capital or leverage requirements may result in restrictions on making interest payments in respect of the Securities, in which case interest payments will be cancelled, which you may not be able to anticipate*);

the Solvency Condition (as described under *Description of the Securities Subordination*) is not satisfied in respect of such interest payment; or

the Relevant Regulator orders us to cancel (in whole or in part) the interest otherwise payable on such interest payment date.

Interest will not be due and will not accumulate or be payable at any time after cancellation or deemed cancellation, and you will have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Furthermore, no cancellation or deemed cancellation of interest in accordance with the terms of the Indenture will constitute a default in payment or otherwise under the terms of the Securities. Although we will endeavor to provide notice of cancellation or deemed cancellation at least five business days prior to the relevant interest payment date, we will only do so if practicable and failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest.

Existing or new capital or leverage requirements may result in restrictions on making interest payments in respect of the Securities, in which case interest payments will be cancelled, which you may not be able to anticipate.

The capital and leverage frameworks (detailed below) to which we are subject require us to hold certain levels of capital, including common equity Tier 1 capital. A failure to hold sufficient levels of capital, including common equity Tier 1 capital, as required by these frameworks (as may be amended from time to time) may result in restrictions on distributions being applied pursuant to which we may be required to cancel (in whole or in part) interest payments in respect of the Securities. Cancellation (in whole or in part) of interest payments in respect of the Securities may affect the value of your investment in the Securities.

We are required, on a consolidated basis, to hold a minimum amount of total regulatory capital of 8% of risk weighted assets, a minimum amount of Tier 1 capital of 6% of risk weighted assets and a minimum amount of common equity

Tier 1 capital of 4.5% of risk weighted assets (the Pillar 1 requirements). In addition, the UK Prudential Regulation Authority (the PRA) requires us to hold extra capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements (the Pillar 2A requirements). Our current Pillar 2A requirement as of June 30, 2018 is 3.5% of risk weighted assets, of which at least 2.0% must be met with common equity Tier 1 capital.

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In addition to the requirements described above, CRD IV requires EU credit institutions to meet several capital buffers with common equity Tier 1 capital. The combination of (i) the capital conservation buffer (the CCB) (which is being phased in gradually and will rise to 2.5% of risk weighted assets from 2019), (ii) the countercyclical capital buffer (CCyB) (which is a buffer of common equity Tier 1 capital equivalent to the risk weighted assets multiplied by the weighted average of various countercyclical buffer rates that vary over time depending on the effective rates set by regulators in countries where we have relevant credit exposures) and (iii) the global systemically important institutions (G-SII) buffer (which is being phased in gradually before applying in full from 2019; as of January 1, 2018, the G-SII buffer (on an end-point basis) is 2% of risk weighted assets) constitutes the combined buffer. As of June 30, 2018, the HSBC Group's combined buffer was estimated to be 3.84% of risk weighted assets (comprising a CCB, CCyB and G-SII buffer of 1.88%, 0.46% and 1.50%, respectively).

In addition to the Pillar 1 and Pillar 2A requirements and the combined buffer, there are additional tools that the PRA and other relevant authorities in the UK have, or are expected to have, available to them to require UK firms to hold additional capital to address micro-prudential or macro-prudential risks as assessed by the relevant authorities in the UK. For example, the PRA introduced a firm-specific Pillar 2B buffer (the PRA buffer), which is set at a level that the PRA believes will ensure that a bank can continue to meet minimum Pillar 1 and Pillar 2A requirements during a stressed period and seeks to address any significant weaknesses in a firm's risk management and governance. The PRA assesses the PRA buffer applicable to an institution annually (or more often if a firm's circumstances change). Where the PRA considers there is an overlap between the combined buffer and the PRA buffer, the PRA buffer will be set as the excess capital required over and above the combined buffer. To the extent the PRA buffer is applicable, it must be met with 100% common equity Tier 1 capital, which will be in addition to the common equity Tier 1 capital used to meet the Pillar 1 and Pillar 2A capital requirements. In addition, sectoral capital requirements could be imposed as a macro-prudential tool proposed to be available to the Financial Policy Committee of the Bank of England in the UK as a means to temporarily increase firms' capital requirements as a result of exposure to specific sectors.

The PRA also has introduced requirements in relation to minimum leverage ratios pursuant to which we are required to meet (i) a minimum leverage ratio requirement set at 3.25% (calculated by dividing a firm's Tier 1 capital by its total exposure measure (as defined in CRR)) applicable from October 3, 2017 (the PRA Leverage Ratio), (ii) an additional leverage ratio buffer that is calibrated at 35% of the G-SII buffer, phased in from 2016 (ALRB) and (iii) a countercyclical leverage ratio buffer that is calibrated at 35% of the CCyB (CCyLB). At least 75% of the Tier 1 capital required to meet the PRA Leverage Ratio must consist of common equity Tier 1 capital (with the remaining to be met with additional Tier 1 capital), while the ALRB and CCyLB must be met entirely with common equity Tier 1 capital (and the common equity Tier 1 capital used for the purposes of the PRA Leverage Ratio must not be included for the purposes of the ALRB and CCyLB).

Under Article 141 of CRD (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) (Article 141), Member States must require institutions that fail to meet the combined buffer to be subject to restricted discretionary payments (which are defined broadly by CRD IV as payments or distributions relating to common equity Tier 1, variable remuneration and payments on additional Tier 1 instruments (such as the Securities)). Since these requirements apply to institutions on a consolidated basis, the PRA can indirectly impose these restrictions on us. The restrictions for failing to meet the combined buffer is scaled according to the extent of the breach of the combined buffer and calculated as a percentage of the profits of the institution since the last distribution of profits or discretionary payment. Such calculation will result in a maximum distributable amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer, no discretionary payments will be permitted to be paid. As a consequence, in the event of breach of the combined buffer, it may be necessary to reduce discretionary payments in whole or in part, including potentially cancelling (in whole or in part) interest payments in respect of the Securities.

The PRA also has the power under section 55M of the Financial Services and Markets Act 2000 (the FSMA) (implementing Article 104 of CRD) to impose requirements on us, the effect of which may be to

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restrict or prohibit payments of interest to you, which is most likely to materialize if at any time we are failing, or are expected to fail, to meet our capital requirements. If the PRA exercises its discretion, we will cancel (in whole or in part, as required by the PRA) interest payments in respect of the Securities.

In addition, failure to meet the PRA buffer or leverage ratios or buffers could result in the preparation of a capital restoration plan. Such capital restoration plan may impose restrictions on discretionary payments, which may result in the cancellation (in whole or in part) of interest payments in respect of the Securities.

Changes to the capital and leverage frameworks may increase our capital requirements and may increase the risk that we will be subject to restrictions on distributions, resulting in our being required to cancel (in whole or in part) interest payments in respect of the Securities. For example, the Basel Committee revised the Basel III capital framework in December 2017 to incorporate a leverage ratio buffer for global systematically important banks (G-SIBs) (the Basel III leverage ratio buffer) that will be set at 50% of the Basel G-SIB buffer (which has been implemented in the EU as the G-SII buffer) and would restrict a G-SIB, such as the HSBC Group, from making capital distributions (including interest payments on additional Tier 1 capital instruments, such as the Securities) if the G-SIB's Basel III leverage ratio (implemented in the UK as the PRA Leverage Ratio) does not meet or exceed its Basel III leverage ratio buffer. The Basel III leverage ratio buffer must be implemented in the UK before it would take effect, and the Basel Committee has agreed on an implementation date of January 1, 2022. The European Commission proposed revisions to CRR (CRR2) and CRD IV (CRD V) in November 2016. These revisions are currently being negotiated with the European Parliament and the Council of the EU. The European Parliament and the Council of the EU have both proposed amendments to the legislative proposals submitted by the European Commission to incorporate the Basel III leverage ratio buffer. Depending on how and when the Basel III leverage ratio buffer is implemented in the UK, we may be restricted from making interest payments on the Securities if we fail to meet the Basel III leverage ratio buffer as implemented. In addition, our minimum regulatory capital requirements may increase as a result of increased provisioning under stress associated with our adoption of IFRS 9 as of January 1, 2018, the magnitude of which will depend upon several factors, including the specified stress scenario. See *Risks Relating to the Securities The circumstances surrounding or triggering an Automatic Conversion are unpredictable.*

Separately, certain aspects of the UK regulatory regime may restrict or prohibit us further from making interest payments on the Securities in certain circumstances. For example, the BRRD (as defined under *Description of the Securities Definitions*) requires member states to enable their resolution authorities to set a minimum requirement for eligible liabilities (MREL) for banks in their jurisdiction. The UK has implemented the MREL requirements through the UK Banking Act 2009, as amended (the Banking Act), and the Bank Recovery and Resolution (No 2) Order 2014. The BoE separately updated its statement of policy on its approach to setting MREL in June 2018. The BoE expects to direct firms to comply with an end-state MREL requirement from January 1, 2022 and interim MREL requirements from January 1, 2019. The UK MREL framework has been designed to be broadly compatible with the term sheet published by the Financial Stability Board (the FSB) on total loss absorbing capacity (TLAC) requirements for G-SIBs. The PRA also updated its Supervisory Statement (SS 16/16) in December 2017, which supervisory statement should be read in conjunction with the BoE's statement of policy on its approach to setting MREL. This revised Supervisory Statement clarifies the PRA's expectation on the relationship between MREL and the capital and leverage ratios. The PRA expects UK banks to meet capital buffers and any additional capital requirements (such as the Pillar 2A requirements) separately from, and in addition to, any MREL interim and end-state requirements set by the BoE. If a UK firm does not or expects not to have sufficient common equity Tier 1 capital to meet the capital buffers, in addition to that counted towards its MREL requirements, then, while there would not be an automatic restriction on distribution, the PRA will undertake enhanced supervisory action and will require the preparation of a capital restoration plan. In such circumstances, the PRA may use its general powers under section 55M of the FSMA if it is not satisfied with the capital restoration plan, or with the firm's reasons for the shortfall. As a result, the implementation of the MREL requirements in the UK may result in the reduction of discretionary payments (in whole

or in part), including the cancellation (in whole or in part) of interest payments in respect of the Securities. In addition, European legislators proposals under CRR2 and CRD V, as well as the proposed revisions to the BRRD (the BRRD2),

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which are aimed at implementing the FSB TLAC standards in Europe, once finalized and implemented, may cause the BoE to review its implementation of the TLAC standards, which may in turn impact our ability to make interest payments on the Securities.

The HSBC Group's capital requirements, including Pillar 2A requirements, by their nature, are calculated by reference to a number of factors, any one or a combination of which may not be easily observable or capable of calculation by you. Moreover, the interaction of restrictions on distributions (including interest payments on the Securities) with, and impact of, the capital requirements and buffers and leverage framework applicable to the HSBC Group, as well as the current implementation of TLAC, remain uncertain in many respects. Such uncertainty is expected to continue while the relevant authorities in the EU and the UK consult on and develop their proposals and provide guidance on the application of the rules and in light of the UK's vote to exit the EU following the referendum on June 23, 2016 (Brexit). See *Risks Relating to the Securities Other changes in law may adversely affect your rights as a securityholder*. Changes to these rules, including from the finalization and implementation of CRR2, CRD V and BRRD2, could result in more common equity Tier 1 capital and TLAC required to be held by a financial institution in order to prevent the maximum distributable amount restrictions from applying. As a result, you may not be able to anticipate whether we will need to reduce discretionary payments, including by cancelling interest payments (in whole or in part) in respect of the Securities, which may affect the value of your investment in the Securities.

As a holding company, our level of Distributable Items is affected by a number of factors, and insufficient Distributable Items may restrict our ability to make interest payments on the Securities.

As a holding company, our level of Distributable Items is affected by a number of factors, principally our ability to receive funds, directly or indirectly, from our operating subsidiaries in a manner that creates Distributable Items for us. Consequently, our future Distributable Items, and therefore our ability to make interest payments (see *Risks Relating to the Securities Interest on the Securities will be due and payable on an interest payment date only if it is not cancelled or deemed to have been cancelled, and we may cancel interest (in whole or in part), in our absolute and sole discretion, at any time*), are a function of our existing Distributable Items, our future operating profits, our distributions and our ability to distribute or dividend profits from our operating subsidiaries up the HSBC Group structure to us. In addition, our Distributable Items may also be adversely affected by the redemption of equity instruments or the servicing of other debt or equity instruments.

The ability of our subsidiaries to pay dividends and our ability to receive distributions from our investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws. In particular, the continuing progress in the implementation of international principles and EU and domestic rules and regulations (including such rules and regulations in the UK or in other jurisdictions in which the HSBC Group operates) around additional loss absorbing capacity (such as TLAC and MREL) are expected to increase current capital and leverage requirements. These factors could limit the payment of dividends and distributions to us by our subsidiaries, and to the extent that we are dependent on the receipt of such dividends and distributions, as opposed to other sources of income, such as interest and other payments from our subsidiaries, this could in time restrict our ability to fund other operations or to maintain or increase our Distributable Items.

The level of our Distributable Items may be further affected by changes to regulation or the requirements and expectations of applicable regulatory authorities. In particular, local capital or ring fencing requirements outside the UK could adversely affect our Distributable Items in the future, such as regulatory capital and internal TLAC requirements and buffers applicable to intermediate holding companies (IHCs) in the United States and potential restrictions on such IHCs' ability to engage in capital distributions.

Further, our Distributable Items may be adversely affected by the performance of the HSBC Group's business in general, factors affecting its financial position (including capital and leverage), the economic

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environment in which the HSBC Group operates and other factors outside of our control. See *Risks Relating to HSBC's Business*.

Our Distributable Items are also sensitive to the accounting impact of factors such as the redemption of preference shares and impairment charges and the carrying value of our investments in subsidiaries, which are carried at the lower of cost and their prevailing recoverable amount. Recoverable amounts depend on discounted future cash flows, which can be affected by restructurings or unforeseen events. Any of these factors could limit our ability to maintain sufficient Distributable Items.

Failure to meet the requirements of regulatory stress tests could result in our taking steps to improve our capital position and may otherwise adversely affect us.

We and certain of our subsidiaries are subject to supervisory stress testing exercises in a number of jurisdictions. See pages 109 and 162 in the 2017 Form 20-F. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve our stress test results and capital plans, could result in our or certain of our subsidiaries being required to enhance our or their capital position (including, for example, by increasing the PRA buffer). This may result in a need for management actions, such as reducing capital and/or leverage exposures and/or taking steps to conserve capital, which could include reducing discretionary payments (for example, potentially exercising our discretion to cancel (in whole or in part) interest payments in respect of the Securities).

The Securities may trade with accrued interest even though interest may not be paid on the relevant interest payment date.

The Securities may trade, and/or the prices for the Securities may appear, on the GEM and in other trading systems with accrued interest. However, if a payment of interest on any interest payment date is cancelled or deemed to have been cancelled (in each case, in whole or in part) and thus is not due and payable (see *Risks Relating to the Securities Interest on the Securities will be due and payable on an interest payment date only if it is not cancelled or deemed to have been cancelled, and we may cancel interest (in whole or in part), in our absolute and sole discretion, at any time*), you will not be entitled to that interest payment (in whole or in part, as applicable) on the relevant interest payment date. This may affect your ability to sell your Securities in the secondary market and, as a result, the value of your investment in the Securities.

The interest rate on the Securities will reset on each Reset Date.

The interest rate on the Securities will initially be % per annum, from (and including) the issue date to (but excluding) , the initial Reset Date. However, the interest rate will be reset every five years on each Reset Date such that the applicable per annum interest rate will be equal to the sum of % and the applicable Mid-Market Swap Rate on the relevant Reset Determination Date. As a result, the interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which would affect the amount of any interest payments under the Securities and, by extension, could affect their market value.

We may redeem the Securities for certain tax or regulatory reasons or on any Reset Date.

We may redeem the Securities in whole (but not in part) upon the occurrence of a Tax Event or a Capital Disqualification Event, as more particularly described under *Description of the Securities Redemption Special Event Redemption*. Certain of such events may occur at any time after the issue date and it is therefore possible that we would be able to redeem the Securities at any time after the issue date. A Tax Event will include, among other things,

a change in law (or in its application or official interpretation) after the issue date whereby the deductibility for UK tax purposes of interest expense on the Securities is restricted or the Securities would no longer be treated as loan relationships for UK tax purposes or the Securities (or any part thereof) would become treated as a derivative or an embedded derivative for UK tax purposes.

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Moreover, we may redeem the Securities in whole (but not in part) on any Reset Date, as more particularly described under *Description of the Securities Redemption Optional Redemption*.

Our optional redemption on any Reset Date may limit the market value of the Securities to the redemption price during the period shortly before the Reset Date. Moreover, if we redeem the Securities in any of the circumstances mentioned above, you may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

In addition, any early redemption of any of the Securities may be subject to conditions imposed by the Relevant Regulator, regardless of whether such redemption would be favorable to you. In particular, Article 78(1) of CRR provides that a competent authority will grant permission for a redemption or repurchase if either: (i) prior to or simultaneously with such redemption or repurchase, we replace the Securities being redeemed or repurchased with our own funds instruments of equal or higher quality at terms that are sustainable for our income capacity; or (ii) we have demonstrated to the satisfaction of the Relevant Regulator that our own funds would, following such redemption or repurchase, exceed the sum of (x) the capital ratios set by Article 92(1) of CRR (broadly, a CET1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%) and (y) the combined buffer, in each case, by a margin that the Relevant Regulator may consider necessary to capture risks to which we are or might be exposed (taking into account various quantitative and qualitative assessments, reviews and evaluations specified in Article 104(3) of CRD).

The Securities may be subject to an Automatic Conversion and upon the occurrence of such an event you could lose all or part of the value of your investment in the Securities due to the deterioration in the realizable value of any Conversion Shares.

A **Capital Adequacy Trigger Event** will occur if at any time the end-point CET1 Ratio is less than 7.0%, as determined by us, the Relevant Regulator or any agent of the Relevant Regulator appointed for such purpose by the Relevant Regulator. See *Risks Relating to the Securities The circumstances surrounding or triggering an Automatic Conversion are unpredictable*.

Upon the occurrence of a Capital Adequacy Trigger Event, an Automatic Conversion will occur on the Conversion Date. Following an Automatic Conversion, you will receive only (i) the Conversion Shares (based on the Conversion Price) or (ii) if we elect, in our sole and absolute discretion, that a Conversion Shares Offer be made, the Conversion Shares Offer Consideration, which will comprise Conversion Shares (based on the Conversion Price) and/or cash (based on the Conversion Shares Offer Price) depending on the results of the Conversion Shares Offer. See *Description of the Securities Automatic Conversion Upon Capital Adequacy Trigger Event* and *Risks Relating to the Securities You may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Capital Adequacy Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period*. The Automatic Conversion will be irrevocable and, following the occurrence of an Automatic Conversion, you will not be entitled to any compensation in the event of any improvement in the end-point CET1 Ratio after the Conversion Date.

Conversion Shares are our ordinary shares to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) following an Automatic Conversion. Because a Capital Adequacy Trigger Event will only occur at a time when the end-point CET1 Ratio has deteriorated significantly, a Capital Adequacy Trigger Event may be accompanied by a deterioration in the market price of our ordinary shares, which may be expected to continue after the occurrence of a Capital Adequacy Trigger Event. In addition, there may be a delay in your receiving your Conversion Shares following a Capital Adequacy Trigger Event (in particular if we elect that a Conversion Shares Offer be conducted), during which time the market price of our ordinary shares may further decline. Therefore, the realizable value of any Conversion Shares received may be significantly less than

(x) the Conversion Price and/or (y) the Conversion Shares Offer Price, and you will no longer have a debt claim in relation to the Securities. As a result, you may lose all or part of the

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value of your investment in the Securities following an Automatic Conversion. See *Risks Relating to the Securities Upon the occurrence of a Capital Adequacy Trigger Event, your rights will be subordinated further.*

You will have limited rights after a Capital Adequacy Trigger Event and the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with terms of the Securities) will constitute an irrevocable and automatic release of all of our obligations in respect of the Securities.

Following an Automatic Conversion, we will be obligated to issue the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities), which will hold the Conversion Shares on your behalf. If we do not deliver the Conversion Shares to the Conversion Shares Depository following a Capital Adequacy Trigger Event, the only claims you will have against us will be for specific performance to have such Conversion Shares issued and delivered. Moreover, you will not have any rights against us with respect to repayment of the principal amount of the Securities or payment of interest or any other amount on, or in respect of, the Securities, in each case that is not due and payable, which liabilities will be automatically released. Accordingly, the principal amount of the Securities will equal zero at all times thereafter and any interest will be cancelled or deemed to have been cancelled at all times thereafter and will not be due and payable, including any interest in respect of an interest period ending on any interest payment date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date.

Once the Conversion Shares are delivered to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities), all of our obligations under the Securities will be irrevocably and automatically released in consideration of such issuance to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities), and under no circumstances will such released obligations be reinstated. With effect from the Conversion Date, you will have recourse only to the Conversion Shares Depository for the delivery to you of Conversion Shares or, if we elect that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which you are entitled.

In addition, we have not yet appointed a Conversion Shares Depository and we may not be able to appoint a Conversion Shares Depository if an Automatic Conversion occurs. In such case, we will effect, by means we deem reasonable under the circumstances (including, without limitation, issuance of the Conversion Shares to another nominee or to you directly), the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to you. Such arrangements may be disadvantageous to, and more restrictive on, you, such as involving a longer period of time before you receive your Conversion Shares or Conversion Shares Offer Consideration, as applicable, than would be the case under the arrangements expected to be entered into with a Conversion Shares Depository. Nevertheless, such issuance also will irrevocably and automatically release all of our obligations under the Securities as if the Conversion Shares had been issued to the Conversion Shares Depository.

You will bear the risk of changes in the end-point CET1 Ratio.

The value of your Securities is expected to be affected by changes in the end-point CET1 Ratio. Any indication that the end-point CET1 Ratio is moving towards the level of a Capital Adequacy Trigger Event may have an adverse effect on the value of your Securities. Moreover, we currently only publicly report the end-point CET1 Ratio quarterly as of the period end, and therefore, there may be no prior warning of adverse changes in our end-point CET1 Ratio. Any unexpected change in the end-point CET1 Ratio that we report or anticipate in our quarterly reports or otherwise, or that is anticipated by the market, may lead to an immediate and significant decrease in the value of your Securities. See *Risks Relating to the Securities The circumstances surrounding or triggering an Automatic Conversion are unpredictable* for a description of factors that may increase the risk of occurrence of a Capital Adequacy Trigger Event, including the implementation of CRD IV requirements in the UK after the date hereof.

Table of Contents***The circumstances surrounding or triggering an Automatic Conversion are unpredictable.***

The occurrence of a Capital Adequacy Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside our control.

A Capital Adequacy Trigger Event could occur on any date on which the end-point CET1 Ratio is below 7.0%, as determined by us, the Relevant Regulator or any agent of the Relevant Regulator appointed for such purpose by the Relevant Regulator. Although we currently publicly report the end-point CET1 Ratio only as of the last day of each of our financial quarters, the PRA, as part of its supervisory activity, may instruct us to calculate such ratio as of any date, including if we are subject to recovery and resolution actions by the relevant UK resolution authority. Moreover, we might otherwise determine to calculate such ratio in our own discretion. Accordingly, a Capital Adequacy Trigger Event could occur on any date. Moreover, we will calculate CET1 Capital and Risk Weighted Assets on a fully loaded basis without applying the transitional provisions set out in Part Ten of the CRR (which currently means the phase-in arrangements for the regulatory capital impact of IFRS 9) (the Transitional Provisions). As a result, the CET1 Ratio may be lower than it would be were we to calculate the CET1 Ratio applying the IFRS 9 phase-in arrangements. A Capital Adequacy Trigger Event may therefore be triggered (because the end-point CET1 Ratio is less than 7.0%), which could cause you to lose all or part of the value of your investment in the Securities, even when our common equity Tier 1 ratio as calculated by applying the Transitional Provisions is above 7.0%.

Separately, changes in the end-point CET1 Ratio may be caused by changes in the amount of CET1 Capital and/or Risk Weighted Assets (each of which will be calculated by us and will be binding on the trustee, the paying agent and you). Accordingly, the end-point CET1 Ratio could be affected by one or more factors, including changes to our business and our future earnings, dividend payments, regulatory changes (including changes to definitions, interpretations and calculations of regulatory capital ratios and their components, including CET1 Capital and Risk Weighted Assets, as described further below), revisions to models used by us to calculate our capital requirements (or revocation of, or amendments to, the regulatory permissions for using such models), actions that we are required to take at the discretion of the Relevant Regulator, accounting rule changes (as described further below), tax law changes, the HSBC Group's ability to manage Risk Weighted Assets in both its ongoing businesses and those it may seek to exit and foreign currency movements (due to changes in foreign exchange rates resulting in changes to the U.S. dollar equivalent value of foreign currency denominated capital resources and Risk Weighted Assets).

The actual impact of CRD IV on UK capital ratios may also be subject to future change, whether as a result of further changes to CRD IV as negotiated and agreed by EU legislators (including the proposed changes under CRD V), binding regulatory technical standards adopted or to be developed by the European Banking Authority (the EBA), changes to the way in which the PRA interprets and applies these requirements to UK banks (including with respect to individual model approvals granted by the PRA), as described further below or changes to the UK capital framework as a result of Brexit. In addition, the single rulebook Q&A tool introduced by the EBA, although having no binding force, may influence the interpretation and application of CRD IV, including the related delegated or implementing acts adopted by the European Commission. Further, following Brexit, there is uncertainty as to how regulatory developments may impact the existing framework relating to capital requirements. See *Risks Relating to the Securities* *Other changes in law may adversely affect your rights as a securityholder.*

The PRA has published several supervisory statements and consultation papers setting out the PRA's expectations in relation to capital and leverage ratios and the quality of capital, respectively, including SS 45/15 and PS 27/15 (each released on December 7, 2015) and PS 21/17 (released in October 2017). Nonetheless, if the PRA rules, guidance or expectations in relation to capital or leverage were to be amended in the future in a manner other than as set out in the statements, and depending on the content of final binding regulatory technical standards developed by the EBA, it could be materially more difficult for the HSBC Group to maintain compliance with prudential requirements.

Furthermore, CRR2 includes measures intended to make the Basel III

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leverage ratio binding on EU institutions. As mentioned above, in December 2017, the Basel Committee adopted revisions to the Basel capital framework that include the introduction of the Basel III leverage ratio buffer, as well as changes to the credit and operational risk frameworks (including an output floor that limits institutions' ability to reduce total risk-weighted assets). Parts of these proposals are intended to be implemented by national authorities by 2022 (with others subject to extensions to 2027). Any such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the HSBC Group's capital and may result in a need for further management actions to meet the changed requirements, such as: increasing capital, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the HSBC Group) and changing the HSBC Group's business mix or exiting other businesses and/or undertaking other actions to strengthen the HSBC Group's capital position. In addition, with the TLAC/MREL requirements being phased-in from January 1, 2019 to 2022, there will be enhanced requirements on resolution entities within banking groups. Resolution entities will be required to issue external TLAC/MREL instruments, as directed by their resolution authority. In addition, the BoE is expected to direct UK material subsidiaries of G-SIBs to issue internal TLAC/MREL instruments to their resolution entities. The implementation of future changes to the regulatory capital regime (under CRR2 and/or CRD V) or any successor legislation in the UK subsequent to the date hereof may individually and/or in the aggregate further negatively affect the HSBC Group's end-point CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event.

Applicable accounting rules, or changes to regulatory adjustments that modify the regulatory impact of accounting rules, may affect the calculation of the end-point CET1 Ratio. For example, as of January 1, 2018, we have adopted IFRS 9, which is expected to increase impairment charges to reflect expected credit losses and may cause impairment charges to be more volatile. Over time, future impairment charges may cause significant decreases in our end-point common equity Tier 1 capital ratio, especially given that the transitional arrangements under CRR2 (which soften the impact that IFRS 9 has on our loan loss allowances) are proposed to be phased out by the end of 2022. In addition, we continue to test and refine our models for purposes of determining expected credit losses in preparation for the disclosure required in our financial statements for the year ending December 31, 2018, and any revisions to our models may result in significant changes to our regulatory capital position. Even if changes in applicable accounting rules, or changes to regulatory adjustments that modify the regulatory impact of accounting rules, are not yet in force as of the relevant calculation date, the Relevant Regulator could require us to reflect such changes in any particular calculation of the end-point CET1 Ratio. Moreover, the HSBC Group's end-point CET1 Ratio is a non-IFRS measure, and our interpretation of CRD IV and the basis of our calculation of this financial measure may be different from those of other financial institutions.

Because of the inherent uncertainty regarding whether a Capital Adequacy Trigger Event will occur, it will be difficult to predict when, if at all, an Automatic Conversion may occur. Accordingly, the trading behavior of the Securities, including prices, volatility and liquidity, may be affected by any threat of a Capital Adequacy Trigger Event and, as a result, the Securities are not necessarily expected to follow the trading behavior associated with other types of securities, including our debt securities. As a result, you may not be able to sell your Securities easily, or at all, or at prices that will provide them with a yield comparable to other types of subordinated securities. In addition, the risk of an Automatic Conversion could lead to a decline in the price of our ordinary shares, which could have a material adverse effect on the market value of the Conversion Shares you receive.

The end-point CET1 Ratio, and more generally, our overall capital position, will be affected by our business decisions and our and your interests may not be aligned.

As discussed in *Risks Relating to the Securities The circumstances surrounding or triggering an Automatic Conversion are unpredictable* and *Risks Relating to the Securities Existing or new capital or leverage requirements may result in restrictions on making interest payments in respect of the Securities, in which case interest payments will be*

cancelled, which you may not be able to anticipate, the end-point CET1

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Ratio, and more generally, our overall capital position, could be affected by a number of factors, including the HSBC Group's decisions relating to its businesses and operations, as well as the management of its capital position. The HSBC Group will have no obligation to consider your interests in connection with such decisions, including in respect of its capital management. Such decisions could cause you to lose all or part of the value of your investment in the Securities due to their effect on the end-point CET1 Ratio, and you will not have any claim against us or any other member of the HSBC Group relating to such decisions, regardless of whether they result in the occurrence of a Capital Adequacy Trigger Event and/or mandatory distribution restrictions that result in the cancellation of interest payments (in whole or in part) in respect of the Securities.

Upon the occurrence of a Capital Adequacy Trigger Event, your rights will be subordinated further.

Upon the occurrence of a Capital Adequacy Trigger Event, you will rank as a holder of our ordinary shares (or beneficial owner of our ordinary shares as evidenced by the Securities). Accordingly, you will be subordinated further on a winding-up or administration due to the change in your status from being the holder of an instrument ranking *pari passu* with holders of our most senior class of preference shares (and therefore ahead of holders of our ordinary shares). Even if other creditors with claims that rank *pari passu* with the Securities, or junior to the Securities but senior to our ordinary shares, are paid in full, following a Capital Adequacy Trigger Event, you will have no rights to the repayment of the principal amount of the Securities or the payment of interest on the Securities that is not due or payable. As a result, upon the occurrence of a Capital Adequacy Trigger Event, you may lose all or part of your investment in the Securities irrespective of whether we have sufficient assets available to settle in winding-up proceedings or otherwise what would have been your claims as a securityholder, the claims of other creditors subordinated to the same extent as the Securities and the claims of other creditors subordinated to a greater extent than the Securities but senior to our ordinary shares.

You may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Capital Adequacy Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period.

We may elect, in our sole and absolute discretion, that the Conversion Shares Depository conduct a Conversion Shares Offer. If all of the Conversion Shares are sold in the Conversion Shares Offer, you will be entitled to receive, in respect of each Security, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Security in pounds sterling (the *pro rata* cash component). If some but not all of the Conversion Shares are sold in the Conversion Shares Offer, you will be entitled to receive, in respect of each Security, (a) the *pro rata* cash component and (b) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Conversion Shares (the *pro rata* Conversion Shares component). If no Conversion Shares are sold in a Conversion Shares Offer, you will be entitled to receive, in respect of each Security, the relevant Conversion Shares attributable to such Security rounded down to the nearest whole number of Conversion Shares.

Any *pro rata* cash component will be subject to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) in order for the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) to conduct the Conversion Shares Offer. Moreover, no interest or other compensation is payable in respect of the period elapsed from the Conversion Date to the date of delivery of any *pro rata* cash component or Conversion Shares.

Furthermore, neither the occurrence of a Capital Adequacy Trigger Event nor, following the occurrence of a Capital Adequacy Trigger Event, the election (if any) by us to undertake a Conversion Shares Offer, will preclude us from undertaking a rights issue or other equity issuance at any time on such terms as we deem appropriate, at our sole discretion, including for the avoidance of doubt the offer of our ordinary shares at or

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below the Conversion Shares Offer Price. Additionally, there can be no assurance that the Conversion Shares Offer would be conducted on an SEC-registered basis.

In addition, we or the Conversion Shares Depository will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period (which may be as many as 40 business days following the delivery of the Conversion Shares Offer Notice). Accordingly, you would not know the composition of the Conversion Shares Offer Consideration to which you may be entitled until the end of the Conversion Shares Offer Period.

Following an Automatic Conversion, the Securities will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing your right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), and your rights will be limited accordingly.

Following an Automatic Conversion (and thus the issuance of the Conversion Shares to the Conversion Shares Depository on the Conversion Date), the Securities will remain in existence until the applicable Cancellation Date (at which point the Securities will be cancelled) for the sole purpose of evidencing your right to receive Conversion Shares or the Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities). If we have been unable to appoint a Conversion Shares Depository, we will effect, by means we deem reasonable under the circumstances (including, without limitation, issuance of the Conversion Shares to another nominee or to the securityholders directly), the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to you. See also

Risks Relating to the Securities You will have limited rights after a Capital Adequacy Trigger Event and Issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with terms of the Securities) will constitute an irrevocable and automatic release of all of our obligations in respect of the Securities. Moreover, the Securities may cease to be admitted to Euronext Dublin's Official List and to be traded on the GEM (the exchange regulated market of Euronext Dublin) after the Suspension Date.

Although we currently expect that beneficial interests in the Securities will be transferrable between the Conversion Date and the Suspension Date, there is no guarantee that this will be the case. Even if the Securities are transferable following the Automatic Conversion, there is no guarantee that an active trading market will exist for the Securities, and the Securities may cease to be admitted to Euronext Dublin's Official List and to be traded on the GEM before the Suspension Date. Accordingly, the price received for the sale of any beneficial interest in a Security during this period may not reflect the market price of such Security or the Conversion Shares. Furthermore, transfers of beneficial interests in the Securities may be restricted following the Conversion Date. For example, if the clearance and settlement of transactions in the Securities is suspended by a Clearing System at an earlier time than currently expected, it may not be possible to transfer beneficial interests in the Securities in such Clearing System and trading in the Securities may cease through such Clearing System.

In addition, we expect that Clearstream Luxembourg and Euroclear will each suspend all clearance and settlement of transactions in the Securities on the Suspension Date. As a result, you will not be able to settle the transfer of any Securities through such Clearing System following the Suspension Date, and any sale or other transfer of the Securities that you may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

Moreover, although you will become a beneficial owner of your pro rata share of Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depository and the Conversion Shares will be registered

in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), you will not be able to sell or otherwise transfer any Conversion Shares until such time as they are delivered to you and registered in your name.

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You must submit an Automatic Conversion Settlement Notice and may need an account with a clearing system in order to receive delivery of the Conversion Shares or any Conversion Shares Offer Consideration, as applicable, and you will be required to provide further documentation if such Automatic Conversion Settlement Notice is delivered after the Notice Cut-off Date.

In order to obtain delivery of the relevant Conversion Shares or any Conversion Shares Offer Consideration, as applicable, you (or your nominee, custodian or other representative) must deliver an Automatic Conversion Settlement Notice (and the relevant Securities, if held in definitive form) to the Conversion Shares Depository.

The Automatic Conversion Settlement Notice must contain certain information, including your CREST or other clearing system account details (assuming the Conversion Shares are a participating security in a clearing system). Accordingly, in such cases, you (or your nominee, custodian or other representative) must have an account with the relevant clearing system in order to receive the Conversion Shares or *pro rata* Conversion Shares component, as applicable. Moreover, the Conversion Shares Depository will determine, in its sole and absolute discretion, whether your Automatic Conversion Settlement Notice has been properly completed and delivered, and such determination will be conclusive and binding on you. If you fail to properly complete and deliver an Automatic Conversion Settlement Notice (and the relevant Securities, if held in definitive form) the Conversion Shares Depository will be entitled to treat such Automatic Conversion Settlement Notice as null and void.

Although the Conversion Shares Depository will continue to hold the relevant Conversion Shares or Conversion Shares Offer Consideration, as applicable, if you fail to properly complete and deliver an Automatic Conversion Settlement Notice on or before the Notice Cut-off Date, the relevant Securities will be cancelled on the Final Cancellation Date (which will be a date at most 15 business days after the Notice Cut-off Date). Moreover, after the Notice Cut-off Date you will continue to be required to provide an Automatic Conversion Settlement Notice, as well as evidence of your entitlement to the relevant Conversion Shares or the Conversion Shares Offer Consideration, as applicable. Such evidence must be satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order for you to receive delivery of such Conversion Shares or Conversion Shares Offer Consideration, as applicable.

We will have no liability to you for any loss resulting from your failure to receive any Conversion Shares or Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of your (or your custodian, nominee, broker or other representative) failing to duly submit an Automatic Conversion Settlement Notice (and the relevant Securities, if held in definitive form) on a timely basis or at all.

You will have limited remedies.

The remedies under the Securities are more limited than those typically available to our unsubordinated creditors.

There is no right of acceleration in the case of non-payment of principal or interest on the Securities or of our failure to perform any of our obligations under or in respect of the Securities. Payment of the principal amount of the Securities will be accelerated only in the event of certain events of a winding-up or administration involving us that constitute a Winding-up Event before the occurrence of a Capital Adequacy Trigger Event. Under the terms of the Indenture, a Winding-up Event will result if (x) a court of competent jurisdiction in England (or such other jurisdiction in which we may be organized) makes an order for our winding-up which is not successfully appealed within 30 calendar days of the making of such order, (y) our ordinary shareholders adopt an effective resolution for our winding-up (other than, in the case of either (x) or (y) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (z) following the appointment of an administrator, the administrator gives notice that it intends to declare and distribute a dividend.

The sole remedy against us available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Securities is, subject to certain conditions and to the

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provisions set forth in *Description of the Securities Default and Remedies No Other Remedies*, for the trustee, in accordance with the Indenture, to institute proceedings in England (or such other jurisdiction in which we may be organized) (but not elsewhere) for our winding-up and/or prove in our winding-up and/or claim in our liquidation or administration.

Although the trustee may without further notice institute such proceedings against us as it may deem fit to enforce any term, obligation or condition binding upon us under the Securities or the Indenture (other than any of our payment obligations under, or arising from, the Securities or the Indenture, including payment of any principal or interest, including Additional Amounts) (such obligation, a Performance Obligation), the sole and exclusive remedy that the trustee (acting on your behalf) and/or you may seek under the Securities and the Indenture is specific performance under the laws of the State of New York. Moreover, to the extent any judgment or other award given in such proceedings requires the payment of money by us, whether by way of damages or otherwise (a Monetary Judgment), the trustee (acting on your behalf) and/or you may not enforce, and will not be entitled to enforce, or otherwise claim such Monetary Judgment against us, except by proving such Monetary Judgment in our winding-up or administration. As such, we will not be obliged to pay any sum or sums, in cash or otherwise (including damages), as a consequence of the institution of any such proceedings for a breach of any Performance Obligation, except where you prove any Monetary Judgment in our winding-up or administration.

Furthermore, by your acquisition of the Securities, you will acknowledge and agree that (i) the sole and exclusive remedy that you and/or the trustee (acting on your behalf) may seek under the Securities and the Indenture for a breach by us of a Performance Obligation is specific performance under the laws of the State of New York, (ii) you will not (and waive any right to) seek, and will not (and waive any right to) direct the trustee (acting on your behalf) to seek, any other remedy against us in respect of any breach by us of a Performance Obligation, (iii) you will not (and waive any right to) enforce, and will not be entitled to enforce (and waive any such entitlement), or otherwise claim (and waive any other right to claim) a Monetary Judgment against us, except by proving such Monetary Judgment in our winding-up or administration and (iv) to the extent permitted by the Trust Indenture Act, you will waive any and all claims, in law and/or in equity, against the trustee for, and agree not to initiate a suit, against the trustee in respect of, and agree that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in connection with your right to enforce a Performance Obligation in accordance with the terms of the Indenture.

You do not have anti-dilution protection in all circumstances.

The number of Conversion Shares to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date will equal the quotient obtained by dividing the (i) aggregate principal amount of the Securities then outstanding immediately prior to the Automatic Conversion on the Conversion Date by (ii) the Conversion Price, rounded down, if necessary, to the nearest whole number of Conversion Shares. The Conversion Price is fixed at the time of issue of the Securities at £2.70 per Conversion Share. Although the Conversion Price will be adjusted in certain instances in an effort to preserve your economic interest in us, including if there is a consolidation, reclassification or subdivision of our ordinary shares, an issuance of ordinary shares in certain circumstances by way of capitalization of profits or reserves, certain issues of rights for our ordinary shares, an Extraordinary Dividend or a Qualifying Takeover Event, adjustments are not required for every corporate or other event that may affect the market price of the Conversion Shares and an Independent Financial Adviser may make modifications as it determines to be appropriate. See *Description of the Securities Anti-Dilution* and *Description of the Securities Qualifying Takeover Event*. The adjustment events that are included are less extensive than those often included in the terms of convertible securities. Moreover, there will be no adjustment to the Conversion Price if a Takeover Event occurs that is not a Qualifying Takeover Event (because the Acquirer is not an Approved Entity or the New Conversion Condition is not satisfied). As a result, the Conversion Price or the New Conversion Price, as applicable, may not reflect the market price of our ordinary shares or the Approved Entity Shares, respectively, which

could be significantly lower than the Conversion Price or the New Conversion Price, respectively. Accordingly, the occurrence of events in respect of which no adjustment to the Conversion Price or New Conversion Price, as applicable, is made may adversely affect the value of the Securities.

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If a Takeover Event occurs, the Securities may be convertible into shares in an entity other than us or into unlisted shares.

If a Takeover Event is a Qualifying Takeover Event (because the Acquirer is an Approved Entity and the New Conversion Condition is satisfied), then following an Automatic Conversion the Securities will become convertible or exchangeable into the Approved Entity Shares at the New Conversion Price as described under *Description of the Securities Anti-Dilution* and *Description of the Securities Qualifying Takeover Event*. There can be no assurance as to the nature of any such Acquirer, or of the risks associated with becoming an actual or potential shareholder in such Acquirer and, accordingly, a Qualifying Takeover Event may have an adverse effect on the value of the Securities.

In addition, we and the Acquirer have certain discretion in determining whether a Qualifying Takeover Event has occurred as it requires the New Conversion Condition to be satisfied. The New Conversion Condition will be satisfied only if we and the Acquirer enter into arrangements to our satisfaction for delivery of the Approved Entity Shares upon an Automatic Conversion. If we are unable to enter into such arrangements within seven days following the occurrence of a Takeover Event, the New Conversion Condition would not be satisfied.

If our ordinary shares become delisted following a non-Qualifying Takeover Event or otherwise, the Securities will be convertible into unlisted ordinary shares upon an Automatic Conversion. Unlisted shares may be more illiquid than listed shares, and therefore, may have little or no resale value. In addition, where a non-Qualifying Takeover Event occurs because the Acquirer is a Governmental Entity (and therefore not an Approved Entity), the Securities will not be convertible into, or exchangeable for, any securities or other instruments of such Governmental Entity or any other person or entity (other than us). Accordingly, a Takeover Event that is not a Qualifying Takeover Event is likely to have an adverse effect on the value of the Securities.

Prior to the Conversion Date, you will not be entitled to any rights with respect to our ordinary shares, but will be subject to all changes made with respect to our ordinary shares.

The exercise of voting rights and rights related thereto with respect to our ordinary shares will be possible only after delivery of the Conversion Shares following the Conversion Date and the registration of the person entitled to such Conversion Shares in our share register as an ordinary shareholder with voting rights in accordance with the provisions of, and subject to the limitations provided in, our Articles of Association.

Under the terms of the Securities, you will agree to be bound by the exercise of any UK bail-in power by the relevant UK resolution authority.

You will agree to be bound by the exercise of any UK bail-in power (as defined under *Description of the Securities Definitions*) and you should consider the risk that you may lose all of your investment, including the principal amount plus any accrued interest, if the UK bail-in power is acted upon or that any remaining outstanding Securities or securities into which the Securities are converted, including our ordinary shares, may be of little value at the time of conversion and thereafter (as described under *Risks Relating to the Securities The Securities are the subject of the UK bail-in power, which may result in your Securities being written down to zero or converted into other securities, including unlisted equity securities*).

Specifically, by your acquisition of the Securities, you (which, for these purposes, includes each beneficial owner) will acknowledge, accept, consent and agree, notwithstanding any other term of the Securities, the Indenture or any other agreements, arrangements or understandings between us and you, to be bound by (a) the effect of the exercise of any UK bail-in power by the relevant UK resolution authority (as defined under *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*); and (b) the variation of the terms of the

Securities or the Indenture, if necessary, to give effect to the exercise of any UK bail-in power by the relevant UK resolution authority. No repayment or payment of Amounts Due (as defined under *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*) will

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become due and payable or be paid after the exercise of any UK bail-in power by the relevant UK resolution authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise. Moreover, you (which, for these purposes, includes each beneficial owner) will consent to the exercise of the UK bail-in power as it may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Securities. For more information, see *Description of the Securities Agreement with Respect to the Exercise of UK Bail-in Power*.

The Securities are the subject of the UK bail-in power, which may result in your Securities being written down to zero or converted into other securities, including unlisted equity securities.

On January 1, 2015, the Banking Act, and other primary and secondary legislative instruments were amended to give effect to the BRRD in the UK. The stated aim of the BRRD is to provide supervisory authorities, including the relevant UK resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' contributions to bank bail-outs and/or exposure to losses.

As the parent company of a UK bank, we are subject to the Banking Act, which gives wide powers in respect of UK banks and their parent and other group companies to Her Majesty's Treasury (HM Treasury), the Bank of England (the BoE), the PRA and the FCA in circumstances where a UK bank has encountered or is likely to encounter financial difficulties.

As a result, the Securities are subject to existing UK bail-in powers under the Banking Act and may be subject to future UK bail-in powers under existing or future legislative and regulatory proposals, including measures implementing the BRRD. In particular, the Banking Act was amended to implement the power to write-down and convert capital instruments (the capital instruments write-down and conversion power) and a bail-in tool, both of which may be exercised by the BoE (as a relevant UK resolution authority) as part of the UK bail-in power and may result in the Securities being partially or fully written down or converted to common equity Tier 1 instruments.

The capital instruments write-down and conversion power may be exercised independently of, or in combination with, the exercise of a resolution tool (other than the bail-in tool, which would be used instead of the capital instruments write-down and conversion power), and such power allows resolution authorities to cancel all or a portion of the principal amount of capital instruments and/or convert such capital instruments into common equity Tier 1 instruments when an institution is no longer viable. The BoE or PRA determines the point of non-viability for such purposes as the point at which the relevant institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or extraordinary public support is provided and without such support the appropriate authority determines that the institution would no longer be viable. The BoE will exercise the capital instruments write-down and conversion power in accordance with the priority of claims under normal insolvency proceedings such that common equity Tier 1 items will be written down before additional Tier 1 and Tier 2 instruments, successively, are written down or converted into common equity Tier 1 instruments. In contrast to the bail-in tool, the capital instruments write-down and conversion power does not include a safeguard designed to leave no creditor worse off than in the case of insolvency.

Where the conditions for resolution exist, the BoE may use the bail-in tool (individually or in combination with other resolution tools) to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities of a failing financial institution and/or convert certain debt claims into another security, including ordinary shares of the surviving entity. In addition, the BoE may use the bail-in tool to, among other things, replace or substitute the issuer as obligor in respect of debt instruments, modify the terms of debt instruments (including altering the maturity (if any) and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinue the listing and admission to trading of financial instruments. The BoE must apply the bail-in tool in accordance with a

specified preference order. In particular, the Banking Act requires resolution authorities to write-down or convert debts in the following order: (i) additional Tier 1

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instruments, (ii) Tier 2 instruments, (iii) other subordinated claims that do not qualify as additional Tier 1 or Tier 2 instruments and (iv) eligible senior claims. As a result, additional Tier 1 instruments (including the Securities) will be written down or converted before subordinated debt that does not qualify as an additional Tier 1 or Tier 2 instrument (and any such subordinated debt would only be written down or converted if the reduction of additional Tier 1 and Tier 2 instruments does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted). Unlike the capital instruments write-down and conversion power, the bail-in tool has a safeguard designed to leave no creditor worse off than in the case of insolvency. However, due to the discretion afforded to the BoE, the claims of some creditors whose claims would rank equally with yours may be excluded from being subject to the bail-in tool. The greater number of such excluded creditors there are, the greater the potential impact of the bail-in tool on other creditors who have not been excluded (which may include you).

Moreover, to the extent the UK bail-in power is exercised pursuant to the Banking Act or otherwise, any securities issued upon conversion of your Securities may not meet the listing requirements of any securities exchange, and our outstanding listed securities may be delisted from the securities exchanges on which they are listed. Any securities you receive upon conversion of your 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, including, for example, our American depositary receipts listed on the New York Stock Exchange, our ordinary shares listed on the London Stock Exchange or otherwise or any securities listed on the GEM. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the issuer of any securities issued upon conversion of your 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 UK bail-in power. Moreover, the exercise of the UK bail-in power and/or other actions implementing the UK bail-in power may require interests in the Securities to be held or taken, as the case may be, through clearing systems, intermediaries or persons other than the Clearing Systems. Furthermore, the trustee may be unwilling to continue serving in its capacity as trustee for the Securities, subject to the terms of the Indenture. As a result, there may not be an active market for any securities you may hold after the exercise of the UK bail-in power.

You should consider the risk that you may lose all of your investment, including the principal amount plus any accrued interest, if the UK bail-in power is acted upon or that any remaining outstanding Securities or securities into which your Securities are converted, including our ordinary shares, may be of little value at the time of conversion and thereafter. In addition, trading behavior, including prices and volatility, may be affected by the threat of bail-in and, as a result, your Securities are not necessarily expected to follow the trading behavior associated with other types of securities. See also *Risks Relating to the Securities Other powers contemplated by the Banking Act may affect your rights under, and the value of your investment in, the Securities.*

Your rights may be limited in respect of the exercise of the UK bail-in power by the relevant UK resolution authority.

There may be limited protections, if any, that will be available to holders of securities subject to the UK bail-in power (including the Securities) and to the broader resolution powers of the relevant UK resolution authority. For example, although under the Banking Act the BoE's resolution instrument with respect to the exercise of the bail-in tool must set out the provisions allowing for securities to be transferred, cancelled or modified (or any combination of these), the resolution instrument may make any other provision that the BoE considers to be appropriate in exercising its specific powers. Such other provisions are expected to be specific and tailored to the circumstances that have led to the exercise of the bail-in tool under the Banking Act and there is uncertainty as to the extent to which usual processes or procedures under English law will be available to holders of securities (including the Securities). Accordingly, you may have limited or circumscribed rights to challenge any decision of the BoE or other relevant UK resolution authority to exercise its UK bail-in power.

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Other powers contemplated by the Banking Act may affect your rights under, and the value of your investment in, the Securities.

In addition to the capital instruments write-down and conversion power and the bail-in tool, the Banking Act includes powers to (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include the Securities), to a commercial purchaser or, in the case of securities, into temporary public ownership (to HM Treasury or an HM Treasury nominee), or, in the case of property, rights or liabilities, to a bridge bank (an entity owned by the BoE); (b) together with another resolution tool only, transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down; (c) 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; (d) commence certain insolvency procedures in relation to a UK bank; and (e) 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 these powers effectively, potentially with retrospective effect.

The powers set out in the Banking Act could affect how credit institutions (and their parent companies) and investment firms are managed as well as, in certain circumstances, the rights of creditors. Accordingly, the taking of any actions contemplated by the Banking Act may affect your rights under the Securities, and the value of your Securities may be affected by the exercise of any such powers or threat thereof.

The circumstances under which the relevant UK resolution authority would exercise its UK bail-in power or other resolutions tools under the Banking Act or future legislative or regulatory proposals are uncertain, which may affect the value of your Securities.

There remains significant uncertainty regarding the ultimate nature and scope of the resolution powers under the Banking Act (and such significant uncertainty may exist with respect to any other resolution powers or tools enacted under future legislative or regulatory proposals, including changes proposed to the BRRD in November 2016), as well as the manner in which such powers would affect us and our securities (including the Securities) if such powers were exercised.

For example, although the exercise of the capital instruments write-down and conversion power and other resolution tools under the Banking Act are subject to certain pre-conditions thereunder, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside our control or not directly related to us) which the BoE would consider in deciding whether to exercise such powers with respect to us or our securities. In particular, because the Banking Act allows for the BoE to exercise its discretion in choosing which resolution tool or tools to apply, it will be difficult to predict whether the exercise of the BoE's resolution powers will result in a principal write-off or conversion to equity. You may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such resolution powers and consequently its potential effect on us or the Securities.

Accordingly, it is not yet possible to assess the full impact of the exercise of the UK bail-in power pursuant to the Banking Act or otherwise on us, and there can be no assurance that the taking of any actions contemplated therein would not adversely affect your rights, the price or value of your investment in the Securities and/or our ability to satisfy our obligations under the Securities.

Other changes in law may adversely affect your rights as a securityholder.

Changes in law after the date hereof may affect your rights as a securityholder as well as the market value of the Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life

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of the Securities, which may have an adverse effect on an investment in the Securities. Moreover, any change in law or regulation that would cause the Securities to cease to qualify in whole or in part as our regulatory capital or to be reclassified, in whole or in part, as a lower quality form of our regulatory capital (other than as a consequence of an Automatic Conversion), could trigger a Capital Disqualification Event (as defined under *Description of the Securities Redemption Special Event Redemption*). In addition, any change in law or regulation that results in our having to pay Additional Amounts to you could constitute a Tax Event (as defined under *Description of the Securities Redemption Special Event Redemption*) that also may entitle us to redeem the Securities, in whole (but not in part). See *Risks Relating to the Securities We may redeem the Securities for certain tax or regulatory reasons or on any Reset Date* and *Description of the Securities Redemption Special Event Redemption*.

In particular, in light of Brexit and the results of the UK's general election held on June 8, 2017, there could be significant changes to EU laws applicable in the UK. The full impact of the Brexit decision remains uncertain and negotiations between the UK and the EU on the future terms of the UK's relationship with the EU are currently ongoing and may take a number of years to finalize. While Brexit should not in and of itself affect the validity of the Banking Act (through which the BRRD is implemented), it is possible that subsequent changes in law affecting your rights could take place. Moreover, CRD IV, a portion of which currently has direct effect in the UK and forms the basis for the structuring of the Securities, may cease to apply in the UK in its current form, which may result in some changes to UK prudential requirements. This may affect the regulatory capital treatment of the Securities, which could trigger a Capital Disqualification Event, and may reduce the liquidity of the Securities while ongoing uncertainty exists. In addition, many of the terms of the Securities are determined or calculated by reference to CRD IV, including the end-point CET1 Ratio, which would continue to be the case even if CRD IV ceased to apply to us. This may have an adverse effect on you if, for example, a Capital Adequacy Trigger Event occurred under the terms of the Securities, even though no such event would have occurred had the end-point CET1 Ratio been determined by reference to the new capital rules applicable to us.

Such legislative and regulatory uncertainty could also affect your ability to accurately value the Securities, as well as their liquidity, and, therefore, affect the trading price of the Securities given the extent and impact on the Securities that one or more regulatory or legislative changes, including those described under *Risks Relating to the Securities The circumstances under which the relevant UK resolution authority would exercise its UK bail-in power or other resolutions tools under the Banking Act or future legislative or regulatory proposals are uncertain, which may affect the value of your Securities,* could have on the Securities.

We may issue securities senior to, or pari passu with, the Securities or the Conversion Shares.

There is no restriction on the amount of securities that we may issue that rank senior to, or pari passu with, the Securities or the Conversion Shares. In particular, the FSB final standards for TLAC requirements for G-SIBs is being implemented in the UK by the BoE using its existing powers under the Banking Act. In the EU, negotiations are ongoing on the CRR2 and BRRD2 proposals that include proposals implementing the FSB TLAC standards. Under the BoE statement of policy on its approach to setting MREL, interim MREL requirements will apply to us, as a G-SIB and may apply to some of our UK subsidiaries starting from January 2019. While the BoE has powers to set MREL thresholds at individual bank level, the policy intention is that the MREL standards for UK banks and groups to which TLAC applies will be consistent with TLAC requirements. We expect to issue between \$60 billion and \$80 billion in aggregate principal amount of senior debt securities over a period of time expected to be in excess of three years (starting from 2016). We have issued approximately US\$59.7 billion as of September 19, 2018 in order to meet these TLAC requirements. See pages 87 through 93 in the 2017 Form 20-F.

Furthermore, the terms of the Indenture permit us (and our subsidiaries) to incur additional debt and the Securities will be effectively subordinated to any indebtedness or other liabilities of our subsidiaries (see *Risks Relating to the*

Securities Our holding company structure may mean that our rights to participate in assets of any of our subsidiaries upon its liquidation may be subject to prior claims of some of its creditors,

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including when we have loaned or otherwise advanced the proceeds received from the issuance of the Securities to such subsidiary).

In the event of our winding-up prior to a Capital Adequacy Trigger Event, the Securities will be subordinated in right of payment to the claims of Senior Creditors (including those creditors holding any securities we may issue that rank senior to the Securities, such as any securities issued to meet TLAC requirements and any of our capital instruments that qualify as Tier 2 instruments under the Relevant Rules). See *Description of the Securities Subordination*. After a Capital Adequacy Trigger Event, the Conversion Shares will be subordinated to the claims of our depositors and all of our other creditors, other than claims which by their terms are, or are expressed to be, subordinated to, or pari passu with, our ordinary shares (including those creditors holding any securities we may issue that rank senior to our ordinary shares).

As a result, in the event of our winding-up, you may recover from the value of our assets to satisfy your claims only after our creditors that rank senior to the Securities or the Conversion Shares, as applicable, have been paid in full. In addition, the claims of pari passu creditors may reduce the amount recoverable by you. Therefore, you may lose all or some of your investment in the Securities in the event of our winding-up.

Our holding company structure may mean that our rights to participate in assets of any of our subsidiaries upon its liquidation may be subject to prior claims of some of its creditors, including when we have loaned or otherwise advanced the proceeds received from the issuance of the Securities to such subsidiary.

The Securities are our obligations exclusively and are not guaranteed by any person, including any of our subsidiaries. We are a non-operating holding company and, as such, our principal source of income is derived from our operating subsidiaries that hold the principal assets of the HSBC Group. As a separate legal entity, we rely on, among other things, remittance of our subsidiaries' loan interest payments and dividends in order to be able to meet our obligations to you as they fall due. The ability of our subsidiaries and affiliates to pay dividends could be restricted by changes in regulation, contractual restrictions, exchange controls and other requirements, which may restrict our ability to pay any amounts due under the Securities.

In addition, because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors and any preference shareholders, except to the extent that we may be a creditor with recognized claims ranking ahead of or *pari passu* with such prior claims against the subsidiary.

We also have absolute discretion as to how we make our investments in, or advance funds to, our subsidiaries, including the proceeds of issuances of debt securities such as the Securities, and as to how we may restructure existing investments and funding in the future (which restructuring may be implemented without prior notification to you). The ranking of our claims in respect of such investments and funding in the event of the liquidation of a subsidiary, and their treatment in resolution, will depend in part on their form and structure and the types of claim that they give rise to. The purposes of such investments and funding, and any such restructuring, may include, among other things, the provision of different amounts or types of capital or funding to particular subsidiaries, including for the purposes of meeting regulatory requirements, such as the implementation of the EBA's minimum requirement for own funds and eligible liabilities (or any equivalent requirements imposed by the PRA), or the FSB's minimum TLAC requirements, in respect of such subsidiaries, which may require funding to be made on a subordinated basis. See pages 87 through 93 in the 2017 Form 20-F.

In addition, the terms of some loans or investments in capital instruments issued by our subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of such

subsidiary, would result in a write-down of the claim or a change in the ranking and type of claim that we have against such subsidiary. The regulatory framework applicable to our subsidiaries may also provide statutory powers to regulatory authorities to write-down the loan or convert such loans or investments to equity depending on the prudential or financial condition of the subsidiary. In addition, such loans to and

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investments in our subsidiaries may also be subject to the exercise of the UK bail-in power. See *Risks Relating to the Securities* *The Securities are the subject of the UK bail-in power, which may result in your Securities being written down to zero or converted into other securities, including unlisted equity securities.* Any changes in the legal or regulatory form or ranking of a loan or investment could also affect its treatment in resolution.

If any of our subsidiaries were wound up, liquidated or dissolved, (i) you would have no right to proceed against the assets of such subsidiary and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of such subsidiary's creditors and/or preference shareholders (including holders of such subsidiary's senior debt and Tier 2 and additional Tier 1 capital instruments) before we would be entitled to receive any distributions. Similarly, if any of our subsidiaries were subject to resolution proceedings (i) you may have no direct recourse against such subsidiary and (ii) you may also be exposed to losses pursuant to the exercise by the relevant resolution authority of resolution powers (including any applicable bail-in power).

As a result of your receiving Conversion Shares upon a Capital Adequacy Trigger Event, you are particularly exposed to changes in the market price of our ordinary shares.

Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Prospective investors in the Securities may look to sell our ordinary shares in anticipation of taking a position in, or during the term of, the Securities. This could drive down the price of our ordinary shares. Since the Securities will mandatorily convert into a fixed number of Conversion Shares upon a Capital Adequacy Trigger Event, the price of the Conversion Shares may be more volatile if we are trending toward a Capital Adequacy Trigger Event.

You may be subject to disclosure obligations and/or may need approval from our regulator under certain circumstances.

As you may receive Conversion Shares if a Capital Adequacy Trigger Event occurs, an investment in the Securities may result in your having to comply with certain disclosure and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, we (and the FCA) must be notified by a person when the percentage of voting rights in us controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches, exceeds or falls below 3% and every percentage point thereafter.

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of a number of regulated group entities, under the laws of the UK, the United States and other jurisdictions, ownership of the Securities (or the Conversion Shares) above certain levels may require you to obtain regulatory approval or subject you to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, you should consult your legal advisers as to the terms of the Securities, in respect of your existing shareholding and the level of holding you would have if you receive Conversion Shares following a Capital Adequacy Trigger Event.

The historical levels of six-month LIBOR (and the Mid Market Swap Rate) are not an indication of its future levels.

In the past, the level of six-month LIBOR (and, therefore, the Mid Market Swap Rate) has experienced significant fluctuations. You should note that historical levels, fluctuations and trends of six-month LIBOR (and, therefore, the Mid Market Swap Rate) are not necessarily indicative of future levels. Any historical upward or downward trend in six-month LIBOR (and the Mid Market Swap Rate) is not an indication that it is more or less likely to increase or decrease at any time during an interest period, and you should not take the historical levels of six-month LIBOR (and the Mid Market Swap Rate) as an indication of its future performance.

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LIBOR and other interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective, while others are still to be implemented. Following the implementation of any such reforms, the manner of administration of benchmarks, including LIBOR, may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted.

For example, Regulation (EU) 2016/1011 (the Benchmark Regulation) has applied from January 1, 2018 (with the exception of certain provisions specified in Article 59 (mainly relating to critical benchmarks) that have applied since June 30, 2016). The Benchmark Regulation could have a material impact on any securities linked to LIBOR or another benchmark rate or index. In particular, if the methodology or other terms of LIBOR are changed in order to comply with the terms of the Benchmark Regulation, such changes could (among other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of LIBOR. In addition, the Benchmark Regulation stipulates that each administrator of a benchmark regulated thereunder must be licensed by the competent authority of the EU member state where such administrator is located. There is a risk that administrators of certain benchmarks will fail to obtain a necessary licence, preventing them from continuing to provide such benchmarks.

Moreover, existing and proposed reforms and the general increased regulatory scrutiny could increase the costs and risks of administering or otherwise participating in the setting of benchmarks, including LIBOR, and complying with any such regulations or requirements. Benchmark administrators may, therefore, cease to administer certain benchmarks due to such costs and risks. Even if benchmarks continue to be administered, there is also a risk that they may in time become obsolete. For example, on July 27, 2017, the FCA announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The FCA's announcement also indicates that planning a transition to alternative reference rates that are based firmly on transactions, such as reformed Sterling Over Night Index Average (SONIA), must begin. However, the introduction of any such alternative to LIBOR, including reformed SONIA, does not necessarily mean that the broader market will adopt it.

As a result, it is not possible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR to allow for the calculation of LIBOR in its current form, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the UK or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities, such as the Securities. Uncertainty as to the nature of any potential changes or reforms to LIBOR may adversely affect the trading market for the Securities.

To the extent LIBOR is discontinued or is no longer quoted, the Mid-Market Swap Rate Quotation will be determined using the alternative methods described under *Description of Securities Interest General*. In particular, if we, in consultation with the calculation agent, determine that the Mid-Market Swap Rate has ceased to be published on the relevant screen page as a result of LIBOR ceasing to be calculated or administered for publication, an independent financial adviser appointed by us, or failing such appointment, we, will have the discretion to select an alternative base rate for purposes of determining the Mid-Market Swap Rate, as well as to make certain changes to the manner in which the alternative base rate or Mid-Market Swap Rate is calculated or determined in consultation with the calculation agent. The independent financial adviser's and our economic interests could be adverse to your interests as an investor in the Securities, and neither the independent financial adviser nor we will have any obligation to consider

your interests as a securityholder in taking any action that might affect the value of the Securities. Moreover, this alternative method may result in interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on the Securities if LIBOR was available in its current form. Additionally, if LIBOR is no longer calculated or

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administered and no alternative base rate is determined (including because the same costs and risks that may lead to the discontinuation or unavailability of LIBOR make the alternative base rate impossible or impracticable to determine), the interest rate on the Securities will not be reset and will accrue at the same rate as the immediately preceding interest period, effectively converting the Securities into fixed rate instruments. In addition, due to the uncertainty concerning the availability of alternative base rates and the involvement of the independent financial adviser, the relevant fallback provisions may not operate as intended at the relevant time. Any of the foregoing may have an adverse effect on the value of the Securities.

The Securities are not bank deposits.

An investment in the Securities is not equivalent to an investment in a bank deposit and carries risks that are very different from the risk profile of such a deposit.

The issue price, interest rate and yield to maturity of the Securities are expected to reflect the additional risks borne by investors therein when compared to those of depositors. For example, the Securities do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national implementing measures implementing such directive in any jurisdiction (such as the UK Financial Services Compensation Scheme). Therefore, if we become insolvent or default on our obligations, investors could lose their entire investment. Additionally, given that the Securities are not bank deposits, they may be subject to the capital instruments write-down and conversion power and would be subject to the bail-in tool before it is applied to bank deposits (to the extent that such deposits are subject to the bail-in tool at all). See *Risks Relating to the Securities The Securities are the subject of the UK bail-in power, which may result in your Securities being written down to zero or converted into other securities, including unlisted equity securities.*

The Securities constitute a new issue of securities by us and we cannot guarantee that an active public market for the Securities will develop or be sustained.

The Securities will constitute a new issue of securities by us. Prior to our present issuance of Securities, there will have been no public market for the Securities. Even though the Securities are expected to have greater liquidity than a bank deposit given that bank deposits are generally not transferable, there can be no assurance that an active public market for the Securities will develop. See *Risks Relating to the Securities The Securities are not bank deposits.* Although application will be made to Euronext Dublin for the Securities to be admitted to the Official List and to trading on the GEM (the exchange regulated market of Euronext Dublin), there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the underwriters are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions and our financial condition and prospects and other factors that generally influence the market prices of securities.

Our credit ratings may not reflect all risks of an investment in the Securities, and changes to any credit rating assigned to us or the Securities may affect the market value of the Securities.

Our credit rating or those assigned to the Securities may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or market value of, the Securities. 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 in its sole discretion.

Any rating assigned to us or the Securities may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors that can change over time, including the credit rating agency's

assessment of: our strategy and management's capability; our financial condition, including in respect of capital, funding and liquidity; competitive, economic, legal and regulatory conditions in

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our key markets, including those markets where we have large exposures or on which our operating results, including revenues, are substantially dependent; the level of political support for the industries in which we operate; and legal and regulatory frameworks affecting our legal structure, business activities and the rights of our creditors.

For example, in September 2017, Moody's downgraded the rating on our long-term senior unsecured debt. This reflected Moody's assessment of our financial strength based on deteriorating operating conditions in certain markets, including the UK, as well as in Hong Kong, where a significant portion of our business and assets are located and from which we generate a substantial portion of our revenue and profit. Moreover, the rating agencies that currently, or may in the future, publish a rating for us or the Securities may change the methodologies that they use for analyzing securities with features similar to the Securities.

Real or expected downgrades, suspensions or withdrawals of credit ratings assigned to us or the Securities could cause the liquidity or trading prices of the Securities to decline significantly. Additionally, any uncertainty about the extent of any anticipated changes to the credit ratings assigned to us or the Securities may adversely affect the market value of the Securities.

The Securities may be assigned a credit rating below investment grade in the future, in which case the Securities will be subject to the risks associated with non-investment grade securities.

The Securities are expected to be assigned a credit rating slightly above investment grade. However, rating agencies that are expected to assign ratings to the Securities may adopt methodology changes that may result in lowering the credit rating of the Securities to below investment grade. Moreover, after the issue date, we may seek a credit rating on the Securities from additional rating agencies, any of which may assign a credit rating to the Securities below investment grade, including due to methodology changes between the issue date and the date the credit rating is assigned. See *Our credit ratings may not reflect all risks of an investment in the Securities, and changes to any credit rating assigned to us or the Securities may affect the market value of the Securities.*

If the Securities are not considered to be investment grade securities, they will be subject to a higher risk of price volatility than more highly rated securities. Furthermore, increases in leverage or deteriorating outlooks for us or volatile markets could lead to a significant deterioration in market prices of below-investment grade rated securities.

An investment in the Securities by a securityholder whose home currency is not pounds sterling entails significant risks.

The Securities are denominated in pounds sterling, and any payments of principal and interest in respect of the Securities, as well as the proceeds of any Conversion Share Offer, are payable in pounds sterling. If pounds sterling is not the currency of the country in which you are a resident or the currency in which you primarily conduct your business or activities (in each case, the home currency), an investment in the Securities entails significant risks not associated with a similar investment in a security denominated in the home currency. These risks include the possibility of (i) significant changes in exchange rates between the home currency and pounds sterling, (ii) the imposition or modification of foreign exchange controls with respect to pounds sterling and (iii) tax consequences as a result of any foreign exchange gains or losses resulting from an investment in the Securities. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies that are important in determining the existence, magnitude and longevity of these risks and their results.

In recent years, rates of exchange between pounds sterling, on the one hand, and certain currencies, on the other, have been highly volatile, and you should be aware that volatility may be expected to continue in the future. Fluctuations in

any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur in the future, during the term of the Securities. Depreciation

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of pounds sterling against the home currency would result in a decrease in the effective yield of the Securities below the coupon rate and, in certain circumstances, could result in a loss to you on a home currency basis. If you are a beneficial owner of the Securities subject to U.S. federal income tax, see *Taxation Material U.S. Federal Income Tax Considerations* for certain U.S. federal income tax consequences related to the Securities being denominated in pounds sterling.

In a lawsuit for payment on the Securities, you may bear currency exchange risk.

U.S. federal or state courts rendering a judgment on the Securities may be unable to enter judgment in any currency except in U.S. dollars. The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York (other than in respect of the subordination provisions thereunder). A New York state statute presently in effect would require a New York state court hearing such a lawsuit to render its decision or award in pounds sterling. The judgment entered on that award, however, will be denominated in U.S. dollars, and converted at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the Securities, you would bear currency exchange risk until a New York state court judgment is entered, which may take a substantial amount of time. A federal court sitting in New York with diversity jurisdiction over a dispute arising in connection with the Securities would apply the foregoing New York law. Moreover, in courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the Securities in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of pounds sterling into U.S. dollars would depend upon various factors, including which court renders the judgment and when the judgment is rendered. Accordingly, in a lawsuit for payment on the Securities, investors may bear currency exchange risk, which could be material.

You will be responsible for any taxes following an Automatic Conversion.

Neither we nor any member of the HSBC Group will be liable for any taxes or duties (including, without limitation, any capital, stamp, issue and registration or transfer taxes or duties) arising on conversion or that may arise or be paid as a consequence of the issue and delivery of Conversion Shares following an Automatic Conversion. You must pay any taxes or duties (including, without limitation, any capital, stamp, issue and registration and/or transfer taxes or duties) arising on conversion in connection with the issue and delivery of Conversion Shares to the Conversion Shares Depository on your behalf and you must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of your Securities or interest therein (except for any taxes or duties arising on delivery or transfer of Conversion Shares to a purchaser in any Conversion Shares Offer).

You may be subject to U.S. tax upon adjustments (or failure to make adjustments) to the Conversion Price and the Conversion Shares Offer Price even though you do not receive a corresponding cash distribution.

The Conversion Price and the Conversion Shares Offer Price are subject to adjustment in certain circumstances, as described under *Description of the Securities Anti-Dilution*. If, as a result of adjustments (or failure to make adjustments), your proportionate interest in our assets or earnings were deemed to be increased for U.S. federal income tax purposes, you may be treated as having received a taxable distribution for these purposes, without the receipt of any cash or property. See *Taxation Material U.S. Federal Income Tax Considerations* for a further discussion of these U.S. federal tax implications.

Our gross-up obligation under the Securities is limited to payments of interest.

Our obligation to pay Additional Amounts in respect of any withholding or deduction in respect of UK taxes under the terms of the Securities applies only to payments of interest in respect of the Securities and not to payments of principal. Accordingly, we would not be required to pay any Additional Amounts under the terms of

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the Securities to the extent any such withholding or deduction applied to payments of principal. In such circumstances, you may receive less than the full amount of principal due in respect of the Securities, and the market value of the Securities may be adversely affected. See *Description of the Securities Additional Amounts*.

The Securities will be represented by one or more global certificates that will be deposited with a common depositary for Clearstream Luxembourg and/or Euroclear and registered in the name of such common depositary or its nominee and, therefore, you will have to rely on their procedures for transfer, payment and communication with us.

The Securities will be represented by one or more global certificates that will be deposited with a common depositary for Clearstream Luxembourg and/or Euroclear and registered in the name of such common depositary or its nominee. Except in certain limited circumstances described in the global certificates, you will not be entitled to receive definitive certificated securities in exchange for interests in the global certificates. While the Securities are represented by the global certificates, you will be able to trade their beneficial interests only through Clearstream Luxembourg and/or Euroclear.

We will discharge our payment obligations under the Securities by making payments to or to the order of the common depositary for Clearstream Luxembourg and/or Euroclear for distribution to their accountholders. A holder of a beneficial interest in a global certificate must rely on the procedures of Clearstream Luxembourg and/or Euroclear to receive payments under the Securities. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global certificates.

Holders of beneficial interests in the global certificates will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act directly only to the extent that they are enabled in accordance with the procedures of Clearstream Luxembourg and/or Euroclear to appoint appropriate proxies.

Trading in the Clearing Systems is subject to minimum denomination requirements.

The Securities will be issued only in minimum denominations of £200,000 and integral multiples of £1,000 in excess thereof. It is possible that the Clearing Systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations. If definitive certificated securities are required to be issued in relation to such Securities in accordance with the provisions of the relevant global securities, a holder that does not have at least the minimum denomination or any integral multiple of £1,000 in excess thereof in its account with the relevant Clearing System at the relevant time may not receive its entitlement in the form of definitive certificated securities unless and until such time as its holding satisfies the minimum denomination requirement.

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HSBC HOLDINGS PLC

HSBC is one of the largest banking and financial services organizations in the world. As of June 30, 2018, we had total assets of US\$2,607 billion and total shareholders' equity of US\$184 billion. For the six-month period ended June 30, 2018, our operating profit was US\$9,331 million on total operating income of US\$33,047 million. We are a strongly capitalized banking group with a CRD IV common equity Tier 1 ratio (end-point basis) of 14.2% as of June 30, 2018.

Headquartered in London, HSBC operates through long-established businesses and serves customers worldwide from around 3,800 offices in 66 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. Within these regions, a comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. Our products and services are delivered to clients through four global businesses, Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets and Global Private Banking.

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CURRENCY CONVERSION

The Securities are denominated in pounds sterling, and any payments of principal and interest in respect of the Securities, as well as the proceeds of any Conversion Share Offer, are payable in pounds sterling.

On September 14, 2018, the noon buying rate in The City of New York for cable transfers of pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York was £1.00/\$1.3084.

Investors will be subject to foreign exchange risks as to any payments of principal and interest in respect of the Securities, as well as the proceeds of any Conversion Share Offer, that may have important economic and tax consequences to them. See *Risk Factors* beginning on page S-23.

Any information provided in this prospectus supplement concerning exchange rates is provided as a matter of information only and you should not regard such information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

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USE OF PROCEEDS

We will use the net proceeds from the sale of the Securities for general corporate purposes and to further strengthen our capital base pursuant to requirements under CRD IV.

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The following table shows the share capital position of HSBC Holdings plc and its consolidated capitalization and indebtedness as of June 30, 2018:

	As of June 30, 2018 in US\$m
Share capital of HSBC Holdings plc	
Ordinary shares (of nominal value US\$0.50 each) ⁽¹⁾	10,159
Preference shares (of nominal value US\$0.01 each)	1,450
HSBC Group Equity	
Called up share capital	10,159
Share premium account	9,774
Other equity instruments ⁽²⁾⁽⁷⁾⁽⁸⁾	20,573
Other reserves	2,193
Retained earnings	140,908
Total shareholders equity	183,607
Non-controlling interests	7,687
Total equity	191,294
HSBC Group Indebtedness⁽³⁾	
Debt securities in issue ⁽⁵⁾⁽⁶⁾	81,708
Trading liabilities Debt securities in issues	1,910
Debt securities in issue designated at fair value	110,567
Subordinated liabilities ⁽⁴⁾	37,642
Total indebtedness	231,827
Total Capitalization and Indebtedness	423,121

- (1) As of September 18, 2018, 23,387,402 ordinary shares of US\$0.50 each have been issued since June 30, 2018 as a result of shares issued pursuant to exercises of employee share options and share plans and to shareholders who, in connection with the first interim dividend for 2018, elected to receive shares in lieu of cash, and 101,458,298 ordinary shares of US\$0.50 each have been repurchased under the share buy-back program since June 30, 2018.
- (2) Comprises nine outstanding series of contingent convertible securities, each issued by HSBC Holdings plc.
- (3) As of June 30, 2018, HSBC had other liabilities of US\$134,774 million and contingent liabilities and contractual commitments of US\$803,059 million (including guarantees of US\$91,104 million).
- (4) Includes US\$1,000 million of guaranteed subordinated liabilities.
- (5) As of September 12, 2018, the total carrying amount of debt securities in issue increased by US\$5,250 million, reflecting the sale of US\$2,500 million 4.292% fixed rate/floating rate senior unsecured notes due 2026, US\$2,000 million floating rate senior unsecured notes due 2021 and US\$750 million floating rate senior unsecured notes due 2026.
- (6) As of September 14, 2018, the total carrying amount of debt securities in issue increased by US\$1,445 million, reflecting the sale of ¥79,300 million 0.575% fixed rate/floating rate senior unsecured notes due 2024, ¥13,100 million 0.797% fixed rate/floating rate senior unsecured notes due 2026 and ¥67,600 million 0.924% senior unsecured notes due 2028.
- (7) As of September 24, 2018, the total carrying amount of other equity instruments is expected to increase by US\$550 million, reflecting the sale of S\$750 million 5.000% perpetual subordinated contingent convertible securities and application of the proceeds therefrom.

(8) The total carrying amount of other equity instruments would increase by US\$ million (or up to US\$ million if the underwriters' over-allotment option is exercised in full) to reflect the sale of the Securities and application of the proceeds therefrom.

Save as disclosed in the above notes, there has been no material change in the issued share capital of HSBC Holdings, or its consolidated capitalization and indebtedness, since June 30, 2018.

The following exchange rates as of June 30, 2018 has been used in the notes above: ¥1.00 = US\$0.009; S\$1.00 = US\$0.733; £1.00 = US\$1.316.

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Table of Contents**DESCRIPTION OF THE SECURITIES**

The following summary description of certain material terms and provisions of the Securities supplements the description of certain terms and provisions of the contingent convertible securities of any series set forth in the accompanying prospectus under the heading Description of Contingent Convertible Securities. The terms described here, together with the relevant terms of contingent convertible securities contained in the accompanying prospectus, constitute a description of the material terms of the Securities. In cases of inconsistency between the terms described here and the relevant terms of the prospectus, the terms presented here will apply and replace those described in the prospectus.

The Securities will constitute a series of contingent convertible securities issued under the indenture dated as of August 1, 2014 (as amended or supplemented from time to time) among us, The Bank of New York Mellon, London Branch, as trustee, and HSBC Bank USA, National Association, as paying agent, the form of which is filed as an exhibit to our registration statement on Form F-3 (the Registration Statement). The indenture will be supplemented and amended by an eighth supplemental indenture, which is expected to be entered into on September , 2018, among us, the trustee and the paying agent (the indenture, together with the eighth supplemental indenture, the Indenture), the form of which will be filed as an exhibit to a report on Form 6-K on or about September , 2018, which will be incorporated by reference in the Registration Statement.

If you purchase the Securities, your rights will be determined by the Securities, the Indenture and the Trust Indenture Act of 1939, as amended (the Trust Indenture Act), unless your Securities are converted to Conversion Shares after a Capital Adequacy Trigger Event as described under *Automatic Conversion Upon Capital Adequacy Trigger Event*, in which case your rights will be determined in accordance with the terms of our ordinary shares as described in the accompanying prospectus under *Description of Ordinary Shares*. You can read the Indenture and the form of Securities at the location listed under *Where You Can Find More Information About Us*.

The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions of the Indenture and of the Securities (see *Subordination*) will be governed by, and construed in accordance with, the laws of England and Wales.

The Securities will be issued in an aggregate principal amount of £ (or up to £ , representing an increase of up to 10% of the aggregate principal amount, if the underwriters' over-allotment option is exercised in full), and will have no fixed maturity or fixed redemption date. The Securities will be issued only in registered form in minimum denominations of £200,000 and in integral multiples of £1,000 in excess thereof.

Interest**General**

From (and including) the issue date to (but excluding) , the interest rate on the Securities will be % per annum (the Initial Interest Rate). From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and % (the Margin). The Reset Dates are , and each fifth anniversary date thereafter. A Reset Determination Date is the second London banking day immediately preceding a Reset Date. Each period from (and including) a Reset Date to (but excluding) the following Reset Date will be a Reset Period.

Mid-Market Swap Rate means the Mid-Market Swap Rate Quotation that appears on Reuters page ICESWAP4 (or such other page as may replace such page on Reuters or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing on such page

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for purposes of displaying comparable rates) (the relevant screen page) as of approximately 11:00 a.m. (London time) on the relevant Reset Determination Date, all as determined by the calculation agent; *provided, however*, that if no such rate appears on the relevant screen page for a five-year term, then the Mid-Market Swap Rate will be determined through the use of straight-line interpolation by reference to two rates, one of which will be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which will be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period; *provided further* that if on any Reset Determination Date the relevant screen page is not available or the Mid-Market Swap Rate does not appear on the relevant screen page, subject to the first proviso in the definition of Mid-Market Swap Rate Quotation below, the calculation agent will request the principal office in London of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Market Swap Rate (as selected by us on the advice of an investment bank of international repute) (the Reference Banks) to provide it with its Mid-Market Swap Rate Quotation as of approximately 11:00 a.m. (London time) on the relevant Reset Determination Date. If two or more of the Reference Banks provide the calculation agent with Mid-Market Swap Rate Quotations, the interest rate for the relevant Reset Period will be the sum of the Margin and the arithmetic mean of the relevant Mid-Market Swap Rate Quotations, as determined by the calculation agent. If only one or none of the Reference Banks provides the calculation agent with a Mid-Market Swap Rate Quotation, the interest rate will be determined to be the rate of interest as of the last preceding Reset Date or, in the case of the initial Reset Determination Date, the Initial Interest Rate.

A Mid-Market Swap Rate Quotation means a quotation (expressed as a percentage rate per annum) for the mean of the bid and offered rates for the fixed leg payable semi-annually (calculated on the basis of the actual number of days in the relevant period from (and including) the date on which interest begins to accrue to (but excluding) the date on which it falls due divided by 365) of a fixed-for-floating interest rate swap transaction in pounds sterling which transaction (i) has a five-year term commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the pounds sterling swap rate market at 11:00 a.m. (London time) with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on six-month LIBOR (calculated on the basis of the actual number of days in the relevant period from (and including) the date on which interest begins to accrue to (but excluding) the date on which it falls due divided by 365); *provided* that, notwithstanding the second proviso in the definition of Mid-Market Swap Rate, if (a) we (in consultation with the calculation agent) determine that the Mid-Market Swap Rate has ceased to be published on the relevant screen page as a result of LIBOR ceasing to be calculated or administered for publication, we will use reasonable efforts to appoint an Independent Financial Adviser to determine the Alternative Base Rate and the Alternative Screen Page by no later than five business days prior to the Reset Determination Date (the Reset Determination Cut-off Date). If we are unable to appoint an Independent Financial Adviser, or if the Independent Financial Adviser fails to determine the Alternative Base Rate and the Alternative Screen Page prior to the Reset Determination Cut-off Date, we will determine the Alternative Base Rate and the Alternative Screen Page for the Reset Period. In either case, the Mid-Market Swap Rate Quotation will then be the quotation for the mean of bid and offered rates determined as provided above but as if the reference to LIBOR was a reference to the Alternative Base Rate on the Alternative Screen Page with any required Calculation Changes (as defined below). Notwithstanding the foregoing, if we do not determine the Alternative Base Rate and the Alternative Screen Page prior to the Reset Determination Date, the interest rate will be determined to be the rate of interest as of the last preceding Reset Date or, in the case of the initial Reset Determination Date, the Initial Interest Rate.

If the Independent Financial Adviser or we determine the Alternative Base Rate, the Independent Financial Adviser or we, as applicable, may also, following consultation with the calculation agent, make changes to the day count fraction, the business day convention and the definition of business day, in each case in order to follow market practice, as well as any other changes (including to the Margin) that we, following consultation with the Independent Financial Adviser

(if appointed), determine in good faith are reasonably necessary to ensure the proper operation of the Alternative Base Rate or the Mid-Market Swap Rate, as well as the comparability of the

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interest rate determined by reference to the Alternative Base Rate to the interest rate determined by reference to LIBOR (the Calculation Changes).

We will promptly give notice of the determination of the Alternative Base Rate, the Alternative Screen Page and any Calculation Changes to the trustee, the paying agent, the calculation agent and the securityholders; *provided* that failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such determination.

All percentages resulting from any calculation of any interest rate on the Securities will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (for example, 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)), and all pounds sterling amounts would be rounded to the nearest pence, with one-half pence being rounded upward.

All determinations and any calculations made by the calculation agent for the purposes of calculating the applicable Mid-Market Swap Rate will be conclusive and binding on the securityholders, us, the trustee and the paying agent, absent manifest error. The calculation agent will not be responsible to us, the securityholders or any third party for any failure of the Reference Banks to provide quotations as requested of them or as a result of the calculation agent having acted on any quotation or other information given by any Reference Bank which subsequently may be found to be incorrect or inaccurate in any way.

Subject to cancellation or deemed cancellation as described under *Interest Interest Cancellation*, interest on the Securities, if any, will be payable in two semi-annual installments in arrear on _____ and _____ of each year, beginning on _____, 2019. The regular record dates for the Securities will be the close of business (in the relevant Clearing System) on the Clearing System Business Day immediately preceding each interest payment date (or, if the Securities are held in definitive form, the 15th calendar day preceding each interest payment date, whether or not a business day). Interest on the Securities, if any, will be calculated on the basis of the actual number of days elapsed in the relevant period from (and including) the date on which interest begins to accrue to (but excluding) the date on which it falls due divided by the number of days in the interest period in which the relevant period falls).

If any scheduled interest payment date is not a business day, we may pay interest (if any) on the next succeeding business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the date of redemption or repayment is not a business day, we may pay interest (if any) and principal on the next succeeding business day, but interest on that payment will not accrue during the period from and after the date of redemption or repayment.

If any Reset Date is not a business day, the Reset Date will occur on the next succeeding business day (the Adjusted Reset Date). For the avoidance of doubt, if the Reset Date is not a business day and accordingly the Reset Date occurs on the Adjusted Reset Date, the semi-annual payment of interest (if any) on the next interest payment date will reflect interest for the entire interest period (including any portion of such interest period occurring between the originally scheduled Reset Date and the Adjusted Reset Date) at the interest rate determined based on the Adjusted Reset Date, and not at the interest rate that applied to the immediately preceding semi-annual interest period. In addition and for the avoidance of doubt, in connection with any optional redemption of the Securities as described under

Redemption Optional Redemption, if the Reset Date is not a business day, as described above, we will pay interest (if any) together with the principal on the Adjusted Reset Date, but interest on that payment will not accrue during the period from and after the last interest payment date.

Agreement with Respect to the Alternative Base Rate

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) (i) will acknowledge, accept, consent and agree to be bound by the Independent Financial Adviser's or

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our determination of the Alternative Base Rate, the Alternative Screen Page and any Calculation Changes, including as may occur without any prior notice from us and without the need for us to obtain any further consent from such securityholder, (ii) will waive any and all claims, in law and/or in equity, against the trustee, the paying agent and the calculation agent for, agree not to initiate a suit against the trustee, the paying agent and the calculation agent in respect of, and agree that none of the trustee, the paying agent or the calculation agent will be liable for, the determination of or the failure to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes and any losses suffered in connection therewith and (iii) will agree that none of the trustee, the paying agent or the calculation agent will have any obligation to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes (including any adjustments thereto), including in the event of any failure by us to determine any Alternative Base Rate, any Alternative Screen Page and any Calculation Changes.

Interest Cancellation

Interest on the Securities will be due and payable on an interest payment date only to the extent it is not cancelled or deemed to have been cancelled (in each case, in whole or in part) in accordance with the provisions set forth below. Any interest cancelled or deemed to have been cancelled (in each case, in whole or in part) will not be due and will not accumulate or be payable at any time thereafter, and the securityholders will have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. For the avoidance of doubt, any interest payments that have been cancelled or deemed to have been cancelled will not be payable if the Securities are redeemed as described under *Redemption*.

Discretionary Interest Payments

Interest on the Securities will be due and payable at our sole discretion, and we will have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date (the *Discretionary Interest Payment Right*). If we do not make an interest payment in respect of the Securities on the relevant interest payment date (or if we elect to make a payment of a portion, but not all, of such interest payment), such non-payment will evidence the exercise of our discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) will not be due and payable. For the avoidance of doubt, if we provide notice to cancel a portion, but not all, of an interest payment in respect of the Securities, and subsequently we do not make a payment of the remaining portion of such interest payment on the relevant interest payment date, such non-payment will evidence the exercise of our discretion to cancel such remaining portion of such interest payment, and accordingly such remaining portion of the interest payment will also not be due and payable.

The Securities will rank senior to our ordinary shares, as described under Subordination. It is the current intention of our board of directors to take into account the relative ranking in our capital structure of our ordinary shares and outstanding additional Tier 1 securities whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, our board of directors may depart from this policy at any time in its sole discretion.

Restrictions on Interest Payments

Without prejudice to the Discretionary Interest Payment Right or the prohibition contained in Article 141(2) of CRD (as defined under *Description of the Securities Definitions*) (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) on the making of payments on the Securities before the Maximum Distributable Amount has been calculated, subject to the extent permitted in the following paragraph in respect of partial interest payments in respect of the Securities,

we will not make an interest payment on any interest payment date

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(and such interest payment will therefore be deemed to have been cancelled and thus will not be due and payable on such interest payment date) if:

- (a) the amount of Relevant Distributions exceeds the amount of Distributable Items as of such interest payment date;
- (b) the aggregate of (x) the interest amount payable in respect of the Securities and (y) the amounts of any distributions of the kind referred to in Article 141(2) of CRD (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision) exceeds the Maximum Distributable Amount (if any) applicable to us as of such interest payment date;
- (c) the Solvency Condition (as described under *Subordination*) is not satisfied in respect of such interest payment; or
- (d) the Relevant Regulator orders us to cancel (in whole or in part) the interest otherwise payable on such interest payment date.

We may, in our sole discretion, elect to make a partial interest payment on the Securities on any interest payment date, only to the extent that such partial interest payment may be made without breaching the restriction in the preceding paragraph. For the avoidance of doubt, the portion of interest not paid on the relevant interest payment date will be deemed to have been cancelled and thus will not be due and payable on such interest payment date.

Agreement to Interest Cancellation

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge and agree that:

- (a) interest is payable solely at our discretion and no amount of interest will become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by us at our sole discretion and/or (y) deemed to have been cancelled (in whole or in part), including as a result of our Distributable Items or the Maximum Distributable Amount being exceeded, failing to satisfy the Solvency Condition or an order from the Relevant Regulator; and
- (b) a cancellation or deemed cancellation of interest (in each case, in whole or in part) in accordance with the terms of the Indenture and the Securities will not constitute a default in payment or otherwise under the terms of the Indenture or the Securities.

Notice of Interest Cancellation

If practicable, we will provide notice of any cancellation or deemed cancellation of interest (in each case, in whole or in part) to the securityholders through the Clearing Systems (or, if the Securities are held in definitive form, to the

securityholders at their addresses shown on the register for the Securities) and to the trustee and the paying agent directly on or prior to the relevant interest payment date. If practicable, we will endeavor to do so at least five business days prior to the relevant interest payment date. Failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest (and accordingly, such interest will not be due and payable), or give the securityholders any rights as a result of such failure.

Redemption

The Securities will not be redeemable at the option of the securityholders at any time.

The Securities will not be subject to any sinking fund or mandatory redemption.

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The Securities may be redeemed in whole (but not in part) at our option in our sole discretion on any Reset Date at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption (which interest will exclude any interest that is cancelled or deemed to have been cancelled as described under *Interest Interest Cancellation*). Any redemption of the Securities is subject to the restrictions described under *Redemption Redemption Conditions*.

Special Event Redemption

We may redeem the Securities in whole (but not in part) in our sole discretion upon the occurrence of a Tax Event or a Capital Disqualification Event (each, a *Special Event*), at a redemption price equal to 100% of their principal amount plus any accrued but unpaid interest to (but excluding) the date of redemption (which interest will exclude any interest that is cancelled or deemed to have been cancelled as described under *Interest Interest Cancellation*). Any redemption upon the occurrence of a Special Event will be subject to the conditions described under *Redemption Redemption Conditions*.

A *Tax Event* will be deemed to have occurred with respect to the Securities if at any time we determine that as a result of a change in, or amendment to, the laws of a Taxing Jurisdiction (as defined below under *Additional Amounts*), including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application or interpretation of those laws on or after the issue date, including a decision of any court or tribunal that becomes effective on or after the issue date:

- (a) on a subsequent date for the payment of interest on the Securities we would be required to pay any Additional Amounts (as described under *Additional Amounts*);
- (b) if we were to seek to redeem the Securities on a subsequent date (for which purpose no consideration will be given as to whether or not we would otherwise be entitled to redeem the Securities), we would be required to pay any Additional Amounts (as described under *Additional Amounts*) (notwithstanding our having made such endeavors as we consider reasonable);
- (c) on a subsequent date for the payment of interest on the Securities, interest payments (or our funding costs as recognized in our accounts) under, or with respect to, the Securities are no longer fully deductible for UK corporation tax purposes;
- (d) the Securities would no longer be treated as loan relationships for UK tax purposes;
- (e) would, as a result of the Securities being in issue, result in our not being able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which we are or would otherwise be so grouped for applicable UK tax purposes (whether under the group relief system current as of the issue date or any similar system or systems having like effect as may from time to time exist);

- (f) a future write-down of the principal amount of the Securities or conversion of the Securities into our ordinary shares would result in a UK tax liability, or the receipt of income or profit which would be subject to UK tax, which would not otherwise have been the case as of the issue date of the relevant Securities; or
- (g) the Securities or any part thereof become treated as a derivative or an embedded derivative for UK tax purposes.

Subject only to our obligation to use such endeavors as provided in paragraph (b), it will be sufficient for us to deliver to the trustee an officer's certificate stating that a Tax Event has occurred and is continuing and setting out the details thereof, as well as any opinion or certificate of an independent legal adviser on which such officer's certificate is based. For these purposes, the trustee and the paying agent will accept such officer's certificate without further enquiry as sufficient evidence of the existence of such circumstances and such officer's certificate will be conclusive and binding on the securityholders.

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Following a change in law (or in its official application or interpretation) after the issue date, if the Securities would no longer be treated as loan relationships for UK tax purposes, the tax treatment of the Securities (with respect to us) may be uncertain and any outstanding Securities may result in our incurrence of unanticipated additional costs. Moreover, following a change in law (or in its official application or interpretation) after the issue date, if the Securities (or any part thereof) would become treated as a derivative or an embedded derivative for UK tax purposes, we could be exposed to unanticipated income statement volatility, which may be taxable.

A Capital Disqualification Event will be deemed to have occurred if we determine, at any time after the issue date, there is a change in the regulatory classification of the Securities that results or will result in either their (i) exclusion in whole or in part from the HSBC Group's regulatory capital (other than as a consequence of an Automatic Conversion); or (ii) reclassification in whole or in part as a form of the HSBC Group's regulatory capital that is lower than additional Tier 1 capital.

Redemption Conditions

Notwithstanding anything to the contrary in the Indenture or the Securities, we may only redeem the Securities if (i) we have obtained the Relevant Supervisory Consent, (ii) prior to the fifth anniversary of the issue date, if the Relevant Rules so oblige, we have demonstrated to the satisfaction of the Relevant Regulator that (x) the Special Event was not reasonably foreseeable at the issue date and (y) in the case of a Tax Event, such Tax Event was material, (iii) we have complied with any alternative or additional pre-conditions to redemption, as applicable, set out in the Relevant Rules and (iv) we have provided notice as described under *Redemption Notice of Redemption*.

Notice of Redemption

Any redemption of the Securities will be subject to our giving not less than 30 days, nor more than 60 days, prior notice to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities); *provided, however*, that in the case of a Tax Event, no notice of redemption will be given earlier than 90 days prior to the earliest date on which we would be obliged to pay Additional Amounts were a payment in respect of the Securities then due. Such notice will specify our election to redeem the Securities and the redemption date and will be irrevocable except in the limited circumstances described in the following paragraph.

A redemption notice will be automatically rescinded and will have no force and effect, and no redemption amount will be due and payable, if either (x) the Solvency Condition is not satisfied in respect of the relevant redemption amount on the applicable redemption date, (y) a Capital Adequacy Trigger Event occurs prior to the applicable redemption date (in which case, an Automatic Conversion will occur as described under *Automatic Conversion Upon Capital Adequacy Trigger Event*) or (z) the relevant UK resolution authority exercises its UK bail-in power prior to the applicable redemption date. If a redemption notice is rescinded for any of the reasons described in the previous sentence, we will promptly deliver notice to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities), specifying the occurrence of the relevant event.

Purchases

Members of the HSBC Group may purchase, repurchase or otherwise acquire any of the outstanding Securities at the same or differing prices in the open market, negotiated transactions or otherwise without giving prior notice to or obtaining any consent from securityholders, in accordance with the Relevant Rules and subject to obtaining the Relevant Supervisory Consent. For the avoidance of doubt, the Securities may be repurchased by members of the

HSBC Group for market-making purposes in accordance with any permission given by the Relevant Regulator pursuant to the Relevant Rules (including, without limitation, Article 29(3) of Commission Delegated Regulation (EU) No. 241/2014) within the limits prescribed in such permission.

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Table of Contents**Automatic Conversion Upon Capital Adequacy Trigger Event*****Automatic Conversion***

A Capital Adequacy Trigger Event will occur if at any time the end-point CET1 Ratio is less than 7.0%. Whether a Capital Adequacy Trigger Event has occurred at any time will be determined by us, the Relevant Regulator or any agent of the Relevant Regulator appointed for such purpose by the Relevant Regulator.

If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur without delay (but no later than one month following the date on which it is determined such Capital Adequacy Trigger Event has occurred), as described under *Automatic Conversion Upon Capital Adequacy Trigger Event Procedure*. An Automatic Conversion is the irrevocable and automatic release of all of our obligations under the Securities in consideration of our issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) (on behalf of the securityholders) on the date on which the Automatic Conversion will take place, or has taken place, as applicable (such date, the Conversion Date), all in accordance with the terms of the Securities and the Indenture.

Subject to the conditions described further under *Automatic Conversion Upon Capital Adequacy Trigger Event Procedure*, following a Capital Adequacy Trigger Event, we will deliver to the securityholders on the Settlement Date either (i) Conversion Shares or (ii) if we elect, in our sole and absolute discretion, that a Conversion Shares Offer be made, the Conversion Shares Offer Consideration. For further information about Conversion Shares and the Conversion Shares Offer, see *Automatic Conversion Upon Capital Adequacy Trigger Event Conversion Shares* and *Automatic Conversion Upon Capital Adequacy Trigger Event Conversion Shares Offer*, respectively.

Effective upon, and following, a Capital Adequacy Trigger Event, other than any amounts payable in the case of our winding-up or the appointment of an administrator for our administration as described under *Subordination*, the securityholders will not have any rights against us with respect to repayment of the principal amount of the Securities or payment of interest or any other amount on, or in respect of, the Securities, in each case that is not due and payable, which liabilities will be automatically released. Accordingly, the principal amount of the Securities will equal zero at all times thereafter and any interest will be cancelled or deemed to have been cancelled at all times thereafter and will not be due and payable (see *Interest Interest Cancellation*), including any interest in respect of an interest period ending on any interest payment date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date. Although the principal amount of each Security will equal zero after a Capital Adequacy Trigger Event for the avoidance of doubt, the Tradable Amount will remain unchanged as a result of the Automatic Conversion.

Effective upon, and following, an Automatic Conversion, all of our obligations under the Securities will be irrevocably and automatically released in consideration of our issuance of the Conversion Shares to the Conversion Shares Depository on the Conversion Date, and under no circumstances will such released obligations be reinstated. With effect from the Conversion Date, the securityholders will have recourse only to the Conversion Shares Depository for the delivery to them of Conversion Shares or, if we elect that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such securityholders are entitled. If we fail to issue and deliver the Conversion Shares to the Conversion Shares Depository in accordance with the terms of the Securities, the securityholders' only right against us will be to claim to have such Conversion Shares issued to the Conversion Shares Depository. If we have been unable to appoint a Conversion Shares Depository, we will effect, by means we deem reasonable under the circumstances (including, without limitation, issuance of the Conversion Shares to another nominee or to the securityholders directly), the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the securityholders, and such issuance will irrevocably and automatically release all of our obligations under the Securities as if the Conversion Shares had been issued to the Conversion

Shares Depository.

Following the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date, the Securities will remain in

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existence until the applicable Cancellation Date for the sole purpose of evidencing the securityholders' right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities).

The Securities will not be convertible into Conversion Shares at the option of the securityholders at any time.

Conversion Shares

Conversion Shares means our ordinary shares to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) following an Automatic Conversion.

The number of Conversion Shares to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date will equal the quotient obtained by dividing the (i) aggregate principal amount of the Securities then outstanding immediately prior to the Automatic Conversion on the Conversion Date (the Outstanding Amount) by (ii) the Conversion Price, rounded down, if necessary, to the nearest whole number of Conversion Shares. The Conversion Price is fixed initially at £2.70 per Conversion Share and is subject to certain anti-dilution adjustments, as described under *Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price* (the Conversion Price). The number of Conversion Shares to be held by the Conversion Shares Depository for the benefit of a securityholder will equal the product obtained by multiplying (i) the number of Conversion Shares thus calculated by (ii) the quotient obtained by dividing (x) the Tradable Amount held by such securityholder on the Conversion Date by (y) the Outstanding Amount, such product to be rounded down, if necessary, to the nearest whole number of Conversion Shares. For the avoidance of doubt, fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The Conversion Shares initially will be registered in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) (which will hold the Conversion Shares on behalf of the securityholders), and each securityholder will be deemed to have irrevocably directed us to issue the Conversion Shares corresponding to the conversion of its holding of Securities to the Conversion Shares Depository. The Conversion Shares Depository will hold the Conversion Shares on behalf of the securityholders, who will be entitled to direct the Conversion Shares Depository to exercise on their behalf all rights of one of our ordinary shareholders (including voting rights and rights to receive dividends); provided that the securityholders will not have any rights to sell or otherwise transfer the Conversion Shares until such time as the Conversion Shares have been delivered to the securityholders in accordance with the procedures described further under *Automatic Conversion Upon Capital Adequacy Trigger Event Procedure Settlement Procedure*.

While any Security remains outstanding, we will at all times keep available for issue, free from pre-emptive or other preferential rights, sufficient ordinary shares to enable an Automatic Conversion to be satisfied in full. The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with our fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant securityholder will not be entitled to receive) any rights, distributions or payments, the entitlement to which falls prior to the Conversion Date.

If a Qualifying Takeover Event occurs, and the Conversion Date falls on or after the QTE Effective Date, then in such case Approved Entity Shares will be issued by the Approved Entity to the Conversion Shares Depository instead of Conversion Shares with the same effect as if Conversion Shares had been issued, as described, and subject to the conditions specified, under *Qualifying Takeover Event*.

Conversion Shares Offer

We may, in our sole and absolute discretion and following the occurrence of an Automatic Conversion, elect in the Conversion Shares Offer Notice that the Conversion Shares Depository make an offer of all or some of the

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Conversion Shares to all or some of our ordinary shareholders at a cash price per Conversion Share equal to the Conversion Shares Offer Price (the Conversion Shares Offer). The Conversion Shares Offer Price is fixed initially at £2.70 per Conversion Share and is subject to certain anti-dilution adjustments, as described under

Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price (the Conversion Shares Offer Price).

Upon completion of the Conversion Shares Offer, we or the Conversion Shares Depository will provide notice to the securityholders of the composition of the Conversion Shares Offer Consideration (including the *pro rata* cash component (as defined below) thereof, if any) per £1,000 Tradable Amount. The Conversion Shares Offer Consideration in respect of each Security will be, (i) if all the Conversion Shares are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from such sale attributable to such Security in pounds sterling (the *pro rata* cash component), (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the *pro rata* cash component and (y) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Conversion Shares (the *pro rata* Conversion Shares component), and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Security rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) in order for the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) to conduct the Conversion Shares Offer.

We may, on behalf of the Conversion Shares Depository, appoint an agent to act as placement or other agent to facilitate the Conversion Shares Offer (a Conversion Shares Offer Agent). If we elect a Conversion Shares Offer to be conducted, the Conversion Shares Offer Period, during which time the Conversion Shares Offer may be made, will end no later than 40 business days following the delivery of the Conversion Shares Offer Notice.

Any Conversion Shares Offer will be made subject to applicable laws and regulations in effect at the relevant time and will be conducted, if at all, only to the extent that we, in our sole and absolute discretion, determine that the Conversion Shares Offer is practicable. We or the purchasers of the Conversion Shares sold in any Conversion Shares Offer will bear the costs and expenses of any Conversion Shares Offer (with the exception of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) in order for the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) to conduct the Conversion Shares Offer), including the fees of the Conversion Shares Offer Agent, if any.

We reserve the right, in our sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three business days notice to the trustee and the paying agent directly and to the securityholders via the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities), and, if we do so, we may, in our sole and absolute discretion, take steps (including, without limitation, changing the Suspension Date) to deliver to the securityholders (or the custodian, nominee, broker or other representative thereof) the Conversion Shares at a time that is earlier than the time at which such securityholders (or the custodian, nominee, broker or other representative thereof) would have otherwise received the Conversion Shares Offer Consideration, had the Conversion Shares Offer been completed.

The *pro rata* cash component will be payable by the Conversion Shares Depository to the securityholders (or the custodian, nominee, broker or other representative thereof) whether or not the Solvency Condition is satisfied.

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We currently expect that in determining whether or not a Conversion Shares Offer will be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer will be made, our board of directors would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of our ordinary shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on our financial stability. Further, neither the occurrence of a Capital Adequacy Trigger Event nor following the occurrence of a Capital Adequacy Trigger Event, the election (if any) by us to undertake a Conversion Shares Offer on the terms set out herein, will preclude us from undertaking a rights issue or other equity issuance at any time on such terms as we deem appropriate, at our sole discretion, including for the avoidance of doubt the offer of our ordinary shares at or below the Conversion Shares Offer Price. Moreover, there can be no assurance that the Conversion Shares Offer would be conducted on an SEC-registered basis.

Procedure***Automatic Conversion Procedure***

We will (x) immediately inform the Relevant Regulator of the occurrence of a Capital Adequacy Trigger Event and (y) deliver an Automatic Conversion Notice on or as soon as practicable after the date on which it is determined such Capital Adequacy Trigger Event has occurred.

The Automatic Conversion Notice will be a written notice to be delivered by us to the trustee and the paying agent directly and to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities) specifying (i) that a Capital Adequacy Trigger Event has occurred, (ii) the Conversion Date or expected Conversion Date, (iii) that we have the option, at our sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that we will issue a Conversion Shares Offer Notice within 10 business days following the Conversion Date notifying the securityholders of our election and (iv) that the Securities will remain in existence for the sole purpose of evidencing the right of the securityholders to receive Conversion Shares or the Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), and that the Securities may continue to be transferable until the Suspension Date, which will be specified in the Conversion Shares Offer Notice. The date on which the Automatic Conversion Notice is dispatched by us to each of the Clearing Systems (or, if the Securities are held in definitive form, to the trustee) will be the date on which such notice is deemed to have been given.

The Automatic Conversion will occur without delay on the Conversion Date (which will be no later than one month following the date on which it is determined such Capital Adequacy Trigger Event has occurred). Within 10 business days following the Conversion Date, we will deliver a Conversion Shares Offer Notice. The Conversion Shares Offer Notice will be a written notice to be delivered by us to the trustee and the paying agent directly and to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities) specifying (i) whether or not we have elected that a Conversion Shares Offer be made and, if so, the Conversion Shares Offer Period, (ii) the Suspension Date and (iii) if we have been unable to appoint a Conversion Shares Depository, such other arrangements for the issuance and/or delivery of the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, to the securityholders. The Suspension Date will be, with respect to each Clearing System, the date specified in the Conversion Shares Offer Notice as the date on which such Clearing System will suspend all clearance and settlement of transactions in the Securities in accordance with its rules and procedures, which date will be no later than 38 business days after the delivery of the Conversion Shares Offer Notice to such Clearing System (and, if we elect that a Conversion Shares Offer be made, such date will be at least two business days prior to the end of the relevant Conversion Shares Offer Period).

On the Suspension Date, each of the Clearing Systems will block all positions relating to the Securities held in such Clearing System, which will suspend all clearance and settlement of transactions in the Securities through such Clearing System. As a result, the securityholders will not be able to settle the transfer of any

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Securities through such Clearing System following the Suspension Date with respect to such Clearing System, and any sale or other transfer of the Securities that a securityholder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System. Moreover, the Securities may cease to be admitted to Euronext Dublin's Official List and to be traded on the GEM (the exchange regulated market of Euronext Dublin) after the Suspension Date.

The procedures set forth in this section are subject to change to reflect changes in each Clearing System's practices, and we may make changes to the procedures set forth in this section to the extent reasonably necessary, in our opinion, to reflect such changes in the Clearing Systems' practices.

Settlement Procedure

On the Suspension Date, we will deliver an Automatic Conversion Settlement Request Notice. The Automatic Conversion Settlement Request Notice will be the written notice to the trustee and the paying agent directly and to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, to the securityholders at their addresses shown on the register for the Securities) (i) requesting that the securityholders complete an Automatic Conversion Settlement Notice and (ii) specifying (a) the Notice Cut-off Date and (b) the Final Cancellation Date.

The securityholders (or the custodian, nominee, broker or other representative thereof) will not receive delivery of the relevant Conversion Shares or the Conversion Shares Offer Consideration, as applicable, unless such securityholders (or the custodian, nominee, broker or other representative thereof) deliver the applicable Automatic Conversion Settlement Notice to the Conversion Shares Depository on or before the Notice Cut-off Date; provided that, if such delivery is made after the end of normal business hours at the specified office of the Conversion Shares Depository, such delivery will be deemed for all purposes to have been made or given on the next following business day.

The Automatic Conversion Settlement Notice will be a written notice to be delivered by a securityholder (or custodian, broker, nominee or other representative thereof) to the Conversion Shares Depository (or to the relevant recipient of the Conversion Shares in accordance with the terms of the Securities), with a copy to the trustee and the paying agent, no earlier than the Suspension Date, containing the following information: (i) the name of the securityholder (or custodian, broker, nominee or other representative thereof), (ii) the Tradable Amount held by such securityholder (or custodian, broker, nominee or other representative thereof) on the date of such notice, (iii) the name to be entered in our share register, (iv) the details of the CREST or other clearing system account or, if the Conversion Shares are not a participating security in CREST or another clearing system, the address to which the Conversion Shares (or the *pro rata* Conversion Shares component, if any) should be delivered, (v) for purposes of receiving any *pro rata* cash component (if not expected to be delivered through the Clearing Systems), the necessary details and instructions to deposit such *pro rata* cash component to a bank account that accepts funds in pounds sterling and (vi) such other details as may be required by the Conversion Shares Depository. The Automatic Conversion Settlement Notice must be given in accordance with the respective standard procedures of the Clearing Systems (which may include, without limitation, delivery of the notice to the Conversion Shares Depository by electronic means) and in a respective form acceptable to each of the Clearing Systems and the Conversion Shares Depository (or, if the Securities are held in definitive form, the Automatic Conversion Settlement Notice must be delivered to the specified office of the Conversion Shares Depository together with the relevant Securities).

Each Automatic Conversion Settlement Notice will be irrevocable. The Conversion Shares Depository will determine, in its sole and absolute discretion, whether any Automatic Conversion Settlement Notice has been properly completed and delivered, and such determination will be conclusive and binding on the relevant securityholder. If any

securityholder fails to properly complete and deliver an Automatic Conversion Settlement Notice and the relevant Securities, if applicable, the Conversion Shares Depository will be entitled to treat such Automatic Conversion Settlement Notice as null and void.

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Subject to satisfaction of the requirements and limitations set forth in the Indenture and provided that the Automatic Conversion Settlement Notice and the relevant Securities, if applicable, are delivered, the Conversion Shares Depository will deliver the relevant Conversion Shares or Conversion Shares Offer Consideration, as applicable, on the applicable Settlement Date, to the securityholders (or custodian, nominee, broker or other representative thereof) having completed the relevant Automatic Conversion Settlement Notice and in accordance with the instructions given in such Automatic Conversion Settlement Notice.

If any securityholder (or custodian, nominee, broker or other representative thereof) fails to deliver an Automatic Conversion Settlement Notice (and the relevant Securities, if applicable) to the Conversion Shares Depository on or before the Notice Cut-off Date, the Conversion Shares Depository will continue to hold the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, until an Automatic Conversion Settlement Notice (and the relevant Securities, if applicable) is so delivered; provided that the relevant Securities will be cancelled on the Final Cancellation Date, and any securityholder (or custodian, nominee, broker or other representative thereof) delivering an Automatic Conversion Settlement Notice after the Notice Cut-off Date will be required to provide evidence of its entitlement to the relevant Conversion Shares or Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depository, in its sole and absolute discretion, in order to receive delivery of such Conversion Shares or Conversion Shares Offer Consideration, as applicable. We will have no liability to any securityholder for any loss resulting from such securityholder's failure to receive any Conversion Shares or Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such securityholder (or custodian, nominee, broker or other representative thereof) failing to duly submit an Automatic Conversion Settlement Notice (and the relevant Securities, if applicable) on a timely basis or at all.

Neither we nor any member of the HSBC Group will be liable for any taxes or duties (including, without limitation, any capital, stamp, issue and registration or transfer taxes or duties) arising on conversion or that may arise or be paid as a consequence of the issue and delivery of Conversion Shares following an Automatic Conversion. The securityholders must pay any taxes or duties (including, without limitation, any capital, stamp, issue and registration and/or transfer taxes or duties) arising on conversion in connection with the issue and delivery of Conversion Shares to the Conversion Shares Depository on behalf of such securityholder and such securityholder must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of such securityholder's Securities or interest therein. Any taxes or duties arising on delivery or transfer of Conversion Shares to a purchaser in any Conversion Shares Offer will be payable by the relevant purchaser of those Conversion Shares.

The Conversion Shares and any *pro rata* Conversion Shares component will not be available for delivery (i) to, or to a nominee for, Clearstream Luxembourg or Euroclear or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the UK or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the UK, in each case at any time prior to the abolition day as defined in Section 111(1) of the Finance Act 1990 of the UK, or, if earlier, such other time at which we, in our absolute discretion, determine that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (iii) to the CREST account of such a person described in (i) or (ii).

Delivery of the Conversion Shares or *pro rata* Conversion Shares component, as applicable, to the securityholders will be made in accordance with the procedures set forth in this section, which remain subject to change to reflect changes in each of the Clearing Systems' practices. Moreover, we may make changes to the procedures set forth in this section to the extent such changes are reasonably necessary, in our opinion, to effect the delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the securityholders.

Table of Contents***Agreement with respect to Automatic Conversion***

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will (i) consent to all of the terms and conditions of the Securities, including (x) the occurrence of a Capital Adequacy Trigger Event and any related Automatic Conversion following a Capital Adequacy Trigger Event and (y) the appointment of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), the issuance of the Conversion Shares to the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer, (ii) acknowledge and agree that effective upon, and following, a Capital Adequacy Trigger Event, other than any amounts payable in the case of our winding-up or the appointment of an administrator for our administration as described under *Subordination*, no securityholder will have any rights against us with respect to repayment of the principal amount of the Securities or payment of interest or any other amount on or in respect of such Securities, in each case that is not due and payable, which liabilities will be automatically released, (iii) acknowledge and agree that events in, and related to, clause (i) may occur without any further action on the part of such securityholder (or beneficial owner), the trustee or the paying agent, (iv) authorize, direct and request each of the Clearing Systems and any direct participant in the Clearing Systems or other intermediary through which it holds such Securities to take any and all necessary action, if required, to implement the Automatic Conversion without any further action or direction on the part of such securityholder (or beneficial owner), the trustee or the paying agent and (v) waive, to the extent permitted by the Trust Indenture Act, any claim against the trustee arising out of its acceptance of its trusteeship for the Securities, including, without limitation, claims related to or arising out of or in connection with a Capital Adequacy Trigger Event and/or any Automatic Conversion.

Agreement with respect to any Conversion Shares Offer

If we elect, in our sole and absolute discretion, that a Conversion Shares Offer be conducted, by its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will: (i) consent to (x) any Conversion Shares Offer and to the Conversion Shares Depository's using the Conversion Shares to settle any Conversion Shares Offer in accordance with the terms of the Securities, notwithstanding that such Conversion Shares are held by the Conversion Shares Depository on behalf of the securityholders and (y) the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depository in connection with the Conversion Shares Offer in accordance with the terms of the Securities, and (ii) irrevocably agree that (x) we, the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities) and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Securities, and (y) neither we, the trustee, the paying agent, the Conversion Shares Depository nor the Conversion Shares Offer Agent, if any, will, to the extent permitted by applicable law, incur any liability to the securityholders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depository in respect of the securityholders' entitlement to any Conversion Shares Offer Consideration).

Agreement with Respect to the Exercise of UK Bail-in Power

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge, accept, consent and agree, notwithstanding any other term of the Securities, the Indenture or any other agreements, arrangements or understandings between us and any securityholder, to be bound by (a) the effect of the exercise of any UK bail-in power by the relevant UK resolution authority that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due into our or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the securityholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Securities or the

Indenture; (iii) the cancellation of the Securities; and/or (iv) the amendment or alteration of the redemption date of the Securities or amendment of the amount of interest payable

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on the Securities, or the interest payment dates, including by suspending payment for a temporary period; and (b) the variation of the terms of the Securities or the Indenture, if necessary, to give effect to the exercise of any UK bail-in power by the relevant UK resolution authority. No repayment or payment of Amounts Due will become due and payable or be paid after the exercise of any UK bail-in power by the relevant UK resolution authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise. Moreover, each securityholder (which, for these purposes, includes each beneficial owner) will consent to the exercise of any UK bail-in power as it may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Securities.

For these purposes,

- (a) Amounts Due are the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Securities. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK bail-in power by the relevant UK resolution authority;
- (b) a UK bail-in power is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the UK, relating to the transposition of the BRRD or otherwise, including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a regulated entity may be deemed to have been exercised. A reference to a regulated entity is to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms, and certain of their parent or holding companies, or any comparable future definition intended to designate entities within the scope of the UK recovery and resolution regime; and

(c) the relevant UK resolution authority is any authority with the ability to exercise a UK bail-in power. For the avoidance of doubt, the potential conversion of the Securities into shares, other securities or other obligations in connection with the exercise of any UK bail-in power by the relevant UK resolution authority is separate and distinct from an Automatic Conversion following a Capital Adequacy Trigger Event.

According to the principles of the Banking Act and the BRRD, we expect that the relevant UK resolution authority would respect creditor hierarchies when exercising its UK bail-in power in respect of the Securities and that the securityholders would be treated pari passu with the claims of holders of all our additional Tier 1 instruments which in each case by law rank, or by their terms are expressed to rank, pari passu with the Securities at that time being subjected to the exercise of the UK bail-in power (or, with claims in respect of ordinary shares, in the event the exercise of such UK bail-in power occurs in the intervening period between a Capital Adequacy Trigger Event and the Conversion Date).

The Clearing Systems

Notice via the Clearing Systems

If notice is given by us via the Clearing Systems in accordance with the terms of the Securities and the Indenture, we will request that each of the Clearing Systems, pursuant to the applicable rules and operating procedures of such Clearing System then in effect, transmit such notice to the direct participants of such Clearing System holding the Securities at such time. Moreover, any notice by the Clearing Systems to participating institutions and by these participants to street name holders of beneficial interests in the Securities will be made according to arrangements among them and may be subject to statutory or regulatory requirements.

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UK Bail-in Power

Upon the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities, we will provide a written notice to the securityholders through the Clearing Systems as soon as practicable regarding such exercise of the UK bail-in power. We will also deliver a copy of such notice to the trustee for information purposes.

By purchasing the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will be deemed to have authorized, directed and requested the Clearing Systems and any direct participant in the Clearing Systems or other intermediary through which it holds such Securities to take any and all necessary action, if required, to implement the exercise of the UK bail-in power with respect to the Securities as it may be imposed, without any further action or direction on the part of such securityholder, the trustee or the paying agent.

Anti-dilution

Adjustment of Conversion Price and Conversion Shares Offer Price

Upon the occurrence of any of the events described below, the Conversion Price and the Conversion Shares Offer Price (each, a Price and, together, the Prices) will be adjusted as follows:

- (a) If and whenever there is a consolidation, reclassification, redesignation or subdivision in relation to our ordinary shares which alters the number of our ordinary shares in issue, each Price will be adjusted by multiplying the relevant Price in effect immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$\frac{A}{B}$

B

where:

A is the aggregate number of our ordinary shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and

B is the aggregate number of our ordinary shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment will become effective on the date the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (b) If and whenever we issue any ordinary shares to our ordinary shareholders credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such ordinary shares are or are to be issued instead of the whole or part of a Cash Dividend which our ordinary shareholders would or could otherwise have elected to receive, (2) where our

ordinary shareholders may elect to receive a Cash Dividend in lieu of such ordinary shares or (3) where any such ordinary shares are or are expected to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to our ordinary shareholders, whether at their election or otherwise), each Price will be adjusted by multiplying the relevant Price in effect immediately prior to such issue by the following fraction:

A

B

where:

A is the aggregate number of our ordinary shares in issue immediately before such issue; and

B is the aggregate number of our ordinary shares in issue immediately after such issue.

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Such adjustment will become effective on the date of issue of such ordinary shares.

- (c) If and whenever we issue our ordinary shares to our shareholders as a class by way of rights, or we or any member of the HSBC Group or (at the direction or request or pursuant to arrangements with us or any member of the HSBC Group) any other company, person or entity issues or grants to our ordinary shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase our ordinary shares, or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any of our ordinary shares (or grants any such rights in respect of existing securities so issued), in each case at a price per ordinary share which is less than 95% of the Current Market Price on the Effective Date, each Price will be adjusted by multiplying the relevant Price in effect immediately prior to the Effective Date by the following fraction:

A + B

A + C

where:

- A is the aggregate number of our ordinary shares in issue on the Effective Date;
- B is the number of our ordinary shares which the aggregate consideration (if any) receivable for our ordinary shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of our ordinary shares deliverable on the exercise thereof, would purchase at such Current Market Price on the Effective Date; and
- C is the number of our ordinary shares to be issued or, as the case may be, the maximum number of our ordinary shares which may be issued upon exercise of such options, warrants or rights calculated as of the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate; *provided* that if, on the Effective Date, such number of ordinary shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then C will be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as of the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment will become effective on the Effective Date.

For the purpose of any calculation of the consideration receivable or price pursuant to this paragraph, the following provisions will apply:

- (i) the aggregate consideration receivable or price for our ordinary shares issued for cash will be the amount of such cash;

- (ii) (x) the aggregate consideration receivable or price for our ordinary shares to be issued or otherwise made available upon the conversion or exchange of any securities will be deemed to be the consideration or price received or receivable for any such securities and (y) the aggregate consideration receivable or price for our ordinary shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights will be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by us to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as of the relevant Effective Date, plus in the case of each of (x) and (y),

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the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per ordinary share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights will be the aggregate consideration or price referred to in (x) or (y) (as the case may be) divided by the number of our ordinary shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (iii) if the consideration or price determined pursuant to (i) or (ii) (or any component thereof) is expressed in a currency other than pounds sterling, it will be converted into pounds sterling at the Prevailing Rate on the relevant Effective Date (in the case of (i) above) or the relevant date of first public announcement (in the case of (ii) above);
- (iv) in determining the consideration or price pursuant to the above, no deduction will be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant ordinary shares or securities or options, warrants or rights, or otherwise in connection therewith; and
- (v) the consideration or price will be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to us or another entity.

- (d) If and whenever we pay any Extraordinary Dividend to our ordinary shareholders as a class, each Price will be adjusted by multiplying the relevant Price in effect immediately prior to the Effective Date by the following fraction:

$\frac{A}{B}$

A

where:

A is the Current Market Price of one ordinary share on the Effective Date; and

B is the portion of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of our ordinary shares entitled to receive the relevant Extraordinary Dividend. If the Extraordinary Dividend is expressed in a currency other than pounds sterling, it will be converted into pounds sterling at the Prevailing Rate on the relevant Effective Date.

Such adjustment will become effective on the Effective Date.

Notwithstanding provisions of this section:

- (i) where the events or circumstances giving rise to any adjustment pursuant to this section have already resulted or will result in an adjustment to the Prices or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances that have already given or will give rise to an adjustment to the Prices or where more than one event that gives rise to an adjustment to the Prices occurs within such a short period of time that, in our opinion, a modification to the operation of the adjustment provisions is required to give the intended result, such modification will be made to the operation of the adjustment provisions as may be determined by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;

- (ii) such modification will be made to the operation of this section as may be determined by an Independent Financial Adviser to be in its opinion appropriate (x) to ensure that an adjustment to the Prices or the economic effect thereof will not be taken into account more than once, (y) to

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ensure that the economic effect of an Extraordinary Dividend is not taken into account more than once and (z) to reflect a redenomination of the issued ordinary shares for the time being into a new currency;

- (iii) for the avoidance of doubt, the occurrence of any other event in respect of our ordinary shares that is not an applicable Adjustment Event in relation to the Securities or the conversion of the Securities into our ordinary shares pursuant to this section will not result in an adjustment of the Prices; and
- (iv) no adjustment will be made to the Prices where our ordinary shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of us or any company in the HSBC Group or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

On any adjustment, if a resultant Price has more decimal places than the initial Price, it will be rounded to the same number of decimal places as the initial Price. No adjustment will be made to a Price where such adjustment (rounded down if applicable) would be less than 1% of such Price then in effect. Any adjustment not required to be made, and/or any amount by which a Price has been rounded down, will be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment will be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

The Prices will not in any event be reduced to below the nominal value of one of our ordinary shares for the time being. We undertake that we will not take any action, and will procure that no action is taken, that would otherwise result in an adjustment to the Prices to below such nominal value.

If any doubt arises as to whether an adjustment falls to be made to either Price or as to the appropriate adjustment to such Prices, we may at our discretion appoint an Independent Financial Adviser and, following consultation between us and such Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof will be conclusive and binding on us, the trustee, the paying agent and the securityholders, save in the case of manifest error.

Notice of any adjustments to the Prices will be given by us to the securityholders via each of the Clearing Systems (or, if the Securities are held in definitive form, via the trustee) promptly after the determination thereof.

Although the Prices will be adjusted in certain instances (as described above and elsewhere in this prospectus supplement) in an effort to preserve the securityholders' economic interest in us, adjustments are not required for every corporate or other event that may affect the market price of the Conversion Shares and an Independent Financial Adviser may make modifications as it determines to be appropriate. See Risk Factors Risks Relating to the Securities You do not have anti-dilution protection in all circumstances.

No Retroactive Adjustments

We will not issue any additional Conversion Shares if the Automatic Conversion occurs after the record date in respect of any consolidation, reclassification or sub-division as described in the first clause (a) of *Anti-*

dilution Adjustment of Conversion Price and Conversion Shares Offer Price, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is described in clauses (b) through (d) of *Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price*, but before the relevant adjustment to the Prices becomes effective under such clauses.

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Within 10 business days following the occurrence of a Takeover Event, we will deliver a Takeover Event Notice. A Takeover Event Notice will be a notice to the securityholders notifying them that a Takeover Event has occurred and specifying: (1) the identity of the Acquirer; (2) whether or not the Takeover Event is a Qualifying Takeover Event; (3) in the case of a Qualifying Takeover Event, if determined at such time, the New Conversion Price and the New Conversion Shares Offer Price; and (4) if applicable, the QTE Effective Date.

A Takeover Event means any person or persons acting in concert (as defined in the Takeover Code of the UK Panel on Takeovers and Mergers) that acquires control of us. For these purposes control means (a) the acquisition or holding of legal or beneficial ownership of more than 50% of our issued ordinary shares or (b) the right to appoint and/or remove all or the majority of the members of our board of directors, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise. A Takeover Event will constitute a Qualifying Takeover Event where (i) the Acquirer is an Approved Entity and (ii) the New Conversion Condition is satisfied.

If the Takeover Event is a Qualifying Takeover Event, the Securities will, where the Conversion Date falls on or after the QTE Effective Date, be converted into or exchanged for Approved Entity Shares, *mutatis mutandis* as provided under *Automatic Conversion Upon Capital Adequacy Trigger Event*, at a Conversion Price that will initially be the New Conversion Price, which may be higher or lower than the Conversion Price. In addition, we will retain the right to elect in the Conversion Shares Offer Notice that the Conversion Shares Depository make a Conversion Shares Offer at the New Conversion Shares Offer Price.

The New Conversion Price and the New Conversion Shares Offer Price each will be subject to adjustment in the circumstances provided for under *Anti-dilution Adjustment of Conversion Price and Conversion Shares Offer Price* (if necessary with such modifications and amendments as an Independent Financial Adviser will determine to be appropriate), and we will give notice to the securityholders of the New Conversion Price and the New Conversion Shares Offer Price and of any such modifications and amendments thereafter.

In the case of a Qualifying Takeover Event we will, to the extent permitted by applicable law and regulation, on or prior to the QTE Effective Date, enter into such agreements and arrangements (including, without limitation, supplemental indentures to the Indenture and amendments and modifications to the terms and conditions of the Securities and the Indenture) as may be required to ensure that, effective upon the QTE Effective Date, the Securities will be convertible into, or exchangeable for, Approved Entity Shares, *mutatis mutandis* in accordance with, and subject to, the provisions under *Automatic Conversion Upon Capital Adequacy Trigger Event*, at the New Conversion Price.

For the avoidance of doubt, if for any reason (including, without limitation, because the Acquirer is a Governmental Entity), a Takeover Event fails to be Qualifying Takeover Event, there will not be any automatic adjustment to the terms of the Securities, whether in the manner provided in respect of Qualifying Takeover Events, or at all. From and after the QTE Effective Date, we will no longer have any obligation to deliver our ordinary shares or any Approved Entity Shares, which will be the obligation of the Approved Entity pursuant to the terms of the agreements or arrangements with the trustee.

Subordination

The Securities will constitute our direct, unsecured and subordinated obligations, ranking equally without any preference among themselves. The rights and claims of the securityholders in respect of, or arising from, the Securities will be subordinated to the claims of Senior Creditors.

If (i) an order is made, or an effective resolution is passed, for our winding-up (except in any such case for a solvent winding-up solely for the purpose of our merger, reconstruction or amalgamation, the terms of which

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reorganization, reconstruction or amalgamation (x) have previously been approved in writing by a majority of the securityholders and (y) do not provide that the Securities will thereby become redeemable or repayable in accordance with the terms of the Securities); or (ii) following the appointment of an administrator for our administration, the administrator declares, or gives notice that it intends to declare and distribute, a dividend, then

- (a) if such events specified in (i) or (ii) occur prior to the date on which a Capital Adequacy Trigger Event occurs, there will be payable by us in respect of each Security (in lieu of any other payment by us), such amount, if any, as would have been payable to a securityholder if, on the day prior to the commencement of such winding-up or such administration and thereafter, such securityholder were the holder of the most senior class of preference shares in our capital, having an equal right to a return of assets in such winding-up or such administration to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by us that has a preferential right to a return of assets in such winding-up or such administration, and so ranking ahead of the holders of all other classes of issued shares for the time being in our capital, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such securityholder was entitled to receive in respect of such senior preference shares, on a return of assets in such winding-up or such administration, were an amount equal to the principal amount of the relevant Security, together with any accrued but unpaid interest thereon (to the extent not cancelled or deemed to have been cancelled) and any Monetary Judgment (if payable); and
- (b) if such events specified in (i) or (ii) occur on or after the date on which a Capital Adequacy Trigger Event occurs but prior to the Conversion Date, there will be payable by us in respect of each Security (in lieu of any other payment by us) such amount, if any, as would have been payable to a securityholder on a return of assets in such winding-up or such administration if the Conversion Date in respect of an Automatic Conversion had occurred immediately prior to the occurrence of such events specified in (i) or (ii) (and as a result, such securityholder were the holder of such number of our ordinary shares as such securityholder would have been entitled to receive on the Conversion Date, ignoring for these purposes our right to elect to make a Conversion Shares Offer).

Furthermore, other than in the event of our winding-up or administration, as described in this section, or with respect to the payment of the pro rata cash component, as described under *Automatic Conversion Upon Capital Adequacy Trigger Event Conversion Shares Offer*, payments in respect of, or arising from, the Securities will be conditional (x) upon our being solvent at the time of payment by us, and (y) in that no sum in respect of or arising from the Securities may fall due and be paid except to the extent that we could make such payment and still be solvent immediately thereafter (such condition, the *Solvency Condition*). For purposes of determining whether the *Solvency Condition* is met, we will be considered to be solvent at a particular point in time if (x) we are able to pay our debts owed to Senior Creditors as they fall due and (y) the *Balance Sheet Condition* has been met.

A certificate by our auditors as to whether or not the *Solvency Condition* is met, on the basis of the information provided to our auditors by us, will, in the absence of manifest error, be treated by us, the trustee, the securityholders and all other interested parties as correct and sufficient evidence thereof.

Senior Creditors means our creditors (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated to the claims of our unsubordinated creditors but not further or otherwise; or (iii) whose claims are, or are expressed to be, junior to the claims of our other creditors, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the securityholders in a winding-up occurring prior to a Capital Adequacy Trigger Event. For the avoidance of doubt, holders of any of our

existing or future Tier 2 capital instruments will be Senior Creditors.

The Balance Sheet Condition will be satisfied in relation to us if the value of our assets is at least equal to the value of our liabilities. For these purposes (i) assets mean our unconsolidated gross assets as shown in our most recent published audited balance sheet, as adjusted for subsequent events in such manner as our auditors

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may determine and (ii) *liabilities* means our unconsolidated gross liabilities, as shown in our most recent published audited balance sheet, as adjusted for subsequent events in such manner as our auditors may determine and for these purposes excluding (without double counting) any indebtedness that will not constitute liabilities according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which we may be organized) in determining whether we are unable to pay [our] debts under Section 123(2) of the UK Insolvency Act 1986 or any amendment or re-enactment thereof or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which we may be organized.

The subordination provisions of the Indenture, and to which the Securities are subject, will be governed by, and construed in accordance with, the laws of England and Wales.

Modification and Waiver

In addition to our and the trustee's rights to modify and amend the Indenture described in the accompanying prospectus under *Description of Contingent Convertible Securities Modification and Waiver*, modifications of and amendments to the terms of the Indenture or the Securities may be made by us and the trustee, without the further consent of the securityholders, to the extent necessary to give effect to the exercise by the relevant UK resolution authority of the UK bail-in power. Moreover, we will agree not to amend the consent of the securityholders to the exercise of the UK bail-in power (see *Agreement with Respect to the Exercise of UK Bail-in Power*) without the prior consent of the Relevant Regulator.

Defaults and Remedies

For purposes of the Securities, the following discussion replaces in its entirety the discussion set forth in *Description of Contingent Convertible Securities Contingent Convertible Events of Default* and *Description of Contingent Convertible Securities Waiver of Contingent Convertible Events of Default and Defaults* in the accompanying prospectus.

Winding-up Event

If a Winding-up Event occurs before the occurrence of a Capital Adequacy Trigger Event, the principal amount of the Securities will become immediately due and payable, without the need for any further action on the part of the trustee, the securityholders or any other person.

A Winding-up Event will result if (x) a court of competent jurisdiction in England (or such other jurisdiction in which we may be organized) makes an order for our winding-up which is not successfully appealed within 30 calendar days of the making of such order, (y) our ordinary shareholders adopt an effective resolution for our winding-up (other than, in the case of either (x) or (y) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (z) following the appointment of an administrator, the administrator gives notice that it intends to declare and distribute a dividend.

Non-payment Event

If we fail to pay any amount that has become due and payable under the Securities, the paying agent will notify the trustee and, if such failure continues for 14 calendar days, the trustee may provide a written notice of such failure to us. If within a period of 14 calendar days following the provision of such notice, the failure continues and has not been cured nor waived (a Non-payment Event), the trustee may, at its discretion, and without further notice to us, institute proceedings in England (or such other jurisdiction in which we may be organized) (but not elsewhere) for our

winding-up and/or prove in our winding-up and/or claim in our liquidation or administration. For the avoidance of doubt, no interest will be due and payable if such interest has been cancelled or is deemed to have been cancelled (in each case, in whole or in part) as described under *Interest Interest Cancellation* (and no Non-payment Event will occur or be deemed to have occurred as a result of such cancellation or deemed cancellation (in each case, in whole or in part)).

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In addition to the remedies for a Non-payment Event, the trustee may without further notice institute such proceedings against us as it may deem fit to enforce any term, obligation or condition binding upon us under the Securities or the Indenture (other than any of our payment obligations under, or arising from, the Securities or the Indenture, including payment of any principal or interest, including Additional Amounts) (such obligation, a Performance Obligation); provided the sole and exclusive remedy that the trustee (acting on behalf of the securityholders) and/or the securityholders may seek under the Securities and the Indenture is specific performance under the laws of the State of New York; *provided further* that to the extent any judgment or other award given in such proceedings requires the payment of money by us, whether by way of damages or otherwise (a Monetary Judgment), the trustee (acting on behalf of the securityholders) and/or the securityholders may not enforce, and will not be entitled to enforce, or otherwise claim such Monetary Judgment against us, except by proving such Monetary Judgment in our winding-up or administration. For the avoidance of doubt, any breach by us of any Performance Obligation will not confer upon the trustee (acting on behalf of the securityholders) and/or the securityholders any claim other than specific performance and we will not be obliged to pay any sum or sums, in cash or otherwise (including damages), as a consequence of the institution of any such proceedings, except where a securityholder proves any Monetary Judgment in our winding-up or administration.

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge and agree that (i) the sole and exclusive remedy that such securityholder (or beneficial owner) and/or the trustee (acting on its behalf) may seek under the Securities and the Indenture for a breach by us of a Performance Obligation is specific performance under the laws of the State of New York, (ii) such securityholder (or beneficial owner) will not (and waives any right to) seek, and will not (and waives any right to) direct the trustee (acting on its behalf) to seek, any other remedy against us in respect of any breach by us of a Performance Obligation, (iii) such securityholder (or beneficial owner) will not (and waives any right to) enforce, and will not be entitled to enforce (and waives any such entitlement), or otherwise claim (and waives any other right to claim) a Monetary Judgment against us, except by proving such Monetary Judgment in our winding-up or administration and (iv) to the extent permitted by the Trust Indenture Act, such securityholder (or beneficial owner) will waive any and all claims, in law and/or in equity, against the trustee for, and agree not to initiate a suit, against the trustee in respect of, and agree that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in connection with such securityholder s (or beneficial owner s) right to enforce a Performance Obligation in accordance with the terms of the Indenture.

No Other Remedies

Other than the limited remedies specified in this section *Defaults and Remedies*, no remedy against us will be available to the trustee (acting on behalf of the securityholders) or to the securityholders, whether for the recovery of amounts owing in respect of such Securities or under the Indenture, or in respect of any breach by us of any of our obligations under, or in respect of, the terms of such Securities or under the Indenture in relation thereto; provided that notwithstanding the limitations on remedies specified in this section *Defaults and Remedies*, (x) the trustee will have such powers as are required to be authorized to it under the Trust Indenture Act in respect of the rights of the securityholders under the provisions of the Indenture, and (y) nothing will impair the right of a securityholder under the Trust Indenture Act, absent such securityholder s consent, to sue for any payment due but unpaid with respect to the Securities; *provided further* that, in the case of (x) and (y), any payments in respect of, or arising from, the Securities, including any payments or amounts resulting or arising from the enforcement of any rights under the Trust Indenture Act in respect of the Securities, will be subject to the subordination provisions set forth under *Subordination*.

Defaults

A default will occur (i) upon the occurrence of a Winding-up Event that occurs before the Conversion Date, (ii) upon the occurrence of a Non-payment Event or (iii) upon a breach by us of a Performance Obligation.

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For purposes of the accompanying prospectus, contingent convertible event of default will mean default as defined in this prospectus supplement.

Under the terms of the Indenture and the Securities, neither a Capital Adequacy Trigger Event, an Automatic Conversion, a reduction or cancellation, in part or in full, of the Amounts Due, the conversion of the Securities into another security or obligation of us or another person, as a result of the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities, nor the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities, will be a contingent convertible event of default or a default. As a result, the securityholders will not have the right to request that the trustee declare an acceleration solely due to the occurrence of a Capital Adequacy Trigger Event, an Automatic Conversion, a reduction or cancellation, in part or in full, of the Amounts Due, the conversion of the Securities into another security or obligation of us or another person, as a result of the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities, or the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities.

Waiver of Past Default

Holders of not less than a majority of the aggregate principal amount of the Securities then outstanding may on behalf of all securityholders waive any past default that results from a breach by us of a Performance Obligation; *provided* that (i) a default in respect of a Performance Obligation, the modification or amendment of which would require the consent of each securityholder affected by it or (ii) any past default that results from a Winding-up Event or a Non-payment Event, in either case, will require the waiver of each securityholder affected by such default.

Upon the occurrence of any waiver of a default described in the immediately preceding paragraph, such default will cease to exist, and any default with respect to any series of Securities arising therefrom will be deemed to have been cured and not to have occurred for any purpose under the Indenture; *provided* that no such waiver will extend to any subsequent or other default or impair any right consequent thereon.

Trustee

Trustee; Direction of the Trustee

The Bank of New York Mellon, London Branch, is the trustee under the Indenture. See *Trustee Trustee's Duties* and *Description of Contingent Convertible Securities Trustee's Duties* in the accompanying prospectus for a description of the trustee's procedures and remedies available in connection with a default.

The trustee makes no representations, and will not be liable with respect to, the information set forth in this prospectus supplement.

UK Bail-in Power

By its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner), to the extent permitted by the Trust Indenture Act, will waive any and all claims, in law and/or in equity, against the trustee for, agree not to initiate a suit against the trustee in respect of, and agree that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Securities.

Additionally, by its acquisition of the Securities, each securityholder (which, for these purposes, includes each beneficial owner) will acknowledge and agree that, upon the exercise of any UK bail-in power by the relevant UK resolution authority,

the trustee will not be required to take any further directions from securityholders under Section 5.12 (Control by Holders) of the Indenture, which section authorizes holders of a majority in aggregate outstanding principal amount of the Securities to direct certain actions relating to the Securities; and

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the Indenture will not impose any duties upon the trustee whatsoever with respect to the exercise of any UK bail-in power by the relevant UK resolution authority.

Notwithstanding the foregoing, if, following the completion of the exercise of the UK bail-in power by the relevant UK resolution authority, the Securities remain outstanding (for example, if the exercise of the UK bail-in power results in only a partial write-down of the principal of the Securities), then the trustee's duties under the Indenture will remain applicable with respect to the Securities following such completion to the extent that we and the trustee will agree pursuant to another supplemental indenture or an amendment to the Indenture; *provided, however*, that notwithstanding the exercise of the UK bail-in power by the relevant UK authority, there will at all times be a trustee for the Securities in accordance with the Indenture, and the resignation and/or removal of the trustee and the appointment of a successor trustee will continue to be governed by the Indenture, including to the extent no additional supplemental indenture or amendment to the Indenture is agreed upon in the event the Securities remain outstanding following the completion of the exercise of the UK bail-in power.

Our obligations to indemnify the trustee in accordance with Section 6.07 of the Indenture will survive any Automatic Conversion under the Indenture.

Capital Adequacy Trigger Event