

HSBC HOLDINGS PLC
Form 424B2
June 16, 2010

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[TABLE OF CONTENTS](#)

Files Pursuant to Rule 424(b)(2)
Registration No. 333-158065

The information in this preliminary prospectus 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 JUNE 16, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT
(To prospectus dated April 16, 2010)

\$

HSBC

HSBC HOLDINGS PLC

% Perpetual Subordinated Capital Securities Exchangeable at the Issuer's Option into Non-Cumulative Dollar Preference Shares, Series 2

We are offering \$ principal amount of Perpetual Subordinated Capital Securities, Series 2, or Capital Securities. The Capital Securities will be issued pursuant to an indenture dated as of April 8, 2008, as described herein. HSBC Holdings plc will pay interest in arrears on the Capital Securities on March 15, June 15, September 15 and December 15 of each year, at a rate of % per annum beginning on September 15, 2010. Coupon payments on the Capital Securities may be deferred at our discretion as described under "*Description of the Capital Securities - Deferred Coupon Payments*" in this prospectus supplement. Any deferred coupon payments may be paid only through the Alternative Coupon Satisfaction Mechanism described herein. Deferred coupon payments will be satisfied upon a redemption, variation or exchange of the Capital Securities only in accordance with the Alternative Coupon Satisfaction Mechanism, except upon our winding up or in the case of a Definitive Suspension.

The Capital Securities have no fixed maturity date. At our option, however, we may redeem the Capital Securities at any time on or after December 15, 2015 at their principal amount together with any accrued and unpaid coupon payments, including any deferred coupon payments, subject to our obligation to make payment of any deferred coupon payments only through the Alternative Coupon Satisfaction Mechanism. We may also redeem the Capital Securities at any time in the event of a change in certain U.K. regulatory requirements or for certain tax reasons as described under "*Description of the Capital Securities - Redemption*".

We may exchange the Capital Securities in whole (but not in part), at our option, for Preference Shares, as defined herein, issued by us, on any coupon payment date. The Preference Shares that we may issue upon exchange of the Capital Securities will be preference shares with a liquidation preference equal to \$25.00 per share paying non-cumulative preferential dividends quarterly in arrears, if declared, of % of the liquidation preference per annum.

Application will be made to list the Capital Securities on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the Capital Securities. If we decide to exchange the Capital Securities for Preference Shares, we will undertake to obtain a listing of the Preference Shares (in the form of ADSs evidenced by ADRs) on the New York Stock Exchange, if either the Capital Securities or our ordinary shares are then listed on the New York Stock Exchange, otherwise on any other internationally recognized stock exchange.

Investing in the Capital Securities or Preference Shares involves certain risks. See "Risk Factors" beginning on Page S-11.

PRICE: \$25 PER CAPITAL SECURITY

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⁾	\$	\$
Underwriting Discount ⁽²⁾	\$	\$
Proceeds to us (before expenses)	\$	\$

(1) Plus accrued coupon payment, if any, from _____, 2010.

(2) For sales to certain institutions, the underwriting discount will be \$ _____ per Capital Security.

The underwriters may also purchase up to an additional \$ _____ principal amount of Capital Securities at the public offering price within 30 days of this prospectus supplement to cover over-allotments, if any. We may use this prospectus supplement and the attached prospectus in the initial sale of the Capital Securities. In addition, HSBC Securities (USA) Inc. or another of our affiliates may use this prospectus supplement and the attached prospectus in a market-making transaction in any of these Capital Securities after their initial sale. *Unless we or our agent informs you otherwise in the confirmation of sale, this prospectus supplement and the attached prospectus is being used in a market-making transaction.*

The underwriters expect to deliver the Capital Securities to purchasers in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme* and Euroclear Bank S.A./N.V. on or about _____, 2010.

HSBC
Sole Structuring
Advisor

Citi

**Morgan
Stanley**

**UBS Investment
Bank**

**Wells Fargo
Securities**
Physical Bookrunner

RBC Capital Markets

BNP PARIBAS

Credit Suisse

Goldman, Sachs & Co.

J.P. Morgan

RBS

The date of this prospectus supplement is June _____, 2010

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>Certain Definitions and Presentation of Financial and Other Data</u>	<u>S-3</u>
<u>Limitation on Enforcement of US Laws against Us, our Management and Others</u>	<u>S-3</u>
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	<u>S-4</u>
<u>Where You Can Obtain More Information About Us</u>	<u>S-4</u>
<u>Summary of the Offering</u>	<u>S-6</u>
<u>Risk Factors</u>	<u>S-11</u>
<u>HSBC Holdings plc</u>	<u>S-22</u>
<u>Use of Proceeds</u>	<u>S-23</u>
<u>Ratio of Earnings to Combined Fixed Charges and Preference Share Dividends</u>	<u>S-23</u>
<u>Consolidated Capitalisation and Indebtedness of HSBC Holdings plc</u>	<u>S-24</u>
<u>Description of the Capital Securities</u>	<u>S-28</u>
<u>Taxation</u>	<u>S-46</u>
<u>Certain Erisa Considerations</u>	<u>S-51</u>
<u>Plan of Distribution (Conflicts of Interest)</u>	<u>S-52</u>
<u>Legal Opinions</u>	<u>S-57</u>
<u>Independent Registered Public Accounting Firm</u>	<u>S-57</u>
Prospectus	
<u>About This Prospectus</u>	<u>1</u>
<u>Presentation of Financial Information</u>	<u>2</u>
<u>Limitation on Enforcement of US Laws against Us, our Management and Others</u>	<u>2</u>
<u>Where You Can Obtain More Information About Us</u>	<u>2</u>
<u>HSBC</u>	<u>3</u>
<u>Risk Factors</u>	<u>4</u>
<u>Use of Proceeds</u>	<u>5</u>
<u>Consolidated Capitalisation and Indebtedness of HSBC Holdings plc</u>	<u>6</u>
<u>Description of Subordinated Debt Securities</u>	<u>9</u>
<u>Description of Dollar Preference Shares</u>	<u>25</u>
<u>Description of Preference Share ADSs</u>	<u>31</u>
<u>Taxation</u>	<u>39</u>
<u>Plan of Distribution</u>	<u>48</u>
<u>Legal Opinions</u>	<u>51</u>
<u>Independent Registered Public Accounting Firm</u>	<u>51</u>

We are responsible for the information contained and incorporated by reference in this prospectus supplement, the attached prospectus and in any related free-writing prospectus we prepare or authorize. We have not, and the underwriters 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 attached 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 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 attached prospectus and the offering of the Capital Securities in certain jurisdictions may be restricted by law. This prospectus supplement and the attached 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 Capital 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.

Table of Contents

FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

There are certain restrictions on the distribution of this prospectus supplement and the attached prospectus, as set out in "*Plan of Distribution (Conflicts of Interest)*".

In connection with the issue of the Capital Securities, Wells Fargo Securities, LLC or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Capital 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 Wells Fargo Securities, LLC or any agent of it to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling 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 United Kingdom, 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 (the "FSMA")) in connection with the issue or sale of any Capital 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.

To the extent that the offer of Capital Securities is made in a Member State of the European Economic Area that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive") before publication of a prospectus in relation to the Capital Securities which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and ratified to the competent authority in that Member States in accordance with the Prospectus Directive), the offer (including any offer pursuant to this prospectus supplement and the attached prospectus) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

Table of Contents

CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER DATA

Definitions

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

Presentation of Financial Information

Our consolidated Group financial statements and the separate financial statements of HSBC have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board ("IASB"), if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At December 31, 2009, there were no unendorsed standards effective for the year ended December 31, 2009 affecting these consolidated and separate financial statements, and 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, 2009 are prepared in accordance with IFRSs as issued by the IASB.

Unless otherwise stated, the information presented in this document has been prepared in accordance with IFRSs. See "*Where You Can Obtain More Information About Us.*" HSBC uses the US dollar as its presentation currency because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts its business.

Currency

In this prospectus supplement, all references to (i) "US dollars," "US\$," "dollars" or "\$" are to the lawful currency of the United States of America, (ii) "euro" or "€" are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended, (iii) "sterling," "pounds sterling" or "£" are to the lawful currency of the United Kingdom, (iv) "Hong Kong dollars" or "HK\$" are to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong SAR"), (v) "BRL" is to the lawful currency of the Federative Republic of Brazil, and (vi) "CAD" is to the lawful currency of Canada.

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 attached 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 US courts judgments obtained in US 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 US 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 United Kingdom. The enforceability of any judgment in the United Kingdom will depend on the particular facts of the case in effect at the time.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the attached 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 or anticipates or the negative thereof or similar expressions, or by discussions of strategy. 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. 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 HSBC's Annual Report on Form 20-F for the year ended December 31, 2009 filed with the SEC.

WHERE YOU CAN OBTAIN MORE INFORMATION ABOUT US

We have filed with the SEC a registration statement (the "Registration Statement") on Form F-3 (No. 333-158065) under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Capital Securities offered by this prospectus supplement. As permitted by the rules and regulations of the SEC, this prospectus supplement and the attached prospectus omit certain information, exhibits and undertakings contained in the Registration Statement. For further information with respect to us or the Capital Securities, please refer to the Registration Statement, including its exhibits and the financial statements, Capital Securities and schedules filed as a part thereof. Statements contained in this prospectus supplement and the attached 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., 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 attached 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 attached prospectus. We incorporate by reference in this prospectus supplement and the attached prospectus our Annual Report on Form 20-F for the year ended December 31, 2009.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the US 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 shall also be deemed to be incorporated by reference in this prospectus supplement and the attached 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 shall be deemed to be modified or superseded for purposes of this prospectus supplement and the attached 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 shall not be deemed, except as so modified or superseded, to

Table of Contents

constitute a part of this prospectus supplement and the attached 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: Investor Affairs
Tel: +1-212-525-5000

Table of Contents

SUMMARY OF THE OFFERING

The following summary highlights information contained elsewhere in this prospectus supplement and the attached 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 attached 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 Capital Securities" included in this prospectus supplement beginning on page S-28 have the same meaning when used in this summary.

Issuer	HSBC Holdings plc
Securities Offered	% Perpetual Subordinated Capital Securities, Series 2 in an aggregate principal amount of \$, which we refer to as the Capital Securities. We may exchange the Capital Securities in whole (but not in part), at our option, for Preference Shares issued by us, on any Coupon Payment Date.
Interest	Interest on the Capital Securities will be payable quarterly at a rate of % per annum.
Coupon Payment Date	Unless we elect to defer payment, interest on the Capital Securities will be payable in arrears on March 15, June 15, September 15 and December 15 of each year, commencing September 15, 2010.
Deferred Coupon Payment	<p>We may elect to defer any Coupon Payment. If we elect to defer a Coupon Payment, we will give not less than 30 days' nor more than 60 days' notice of such election to the Trustee, the principal paying agent and the holders of the Capital Securities.</p> <p>Any Coupon Payment in respect of the Capital Securities that is not paid will (other than in the event of our winding up), to the extent it remains unpaid, constitute a "Deferred Coupon Payment". Except in the limited circumstances of a Market Disruption Event, no interest will accrue on any Deferred Coupon Payment. We are permitted to satisfy our obligation to make Deferred Coupon Payments only in accordance with the Alternative Coupon Satisfaction Mechanism except (i) in the case of our winding up, in which case any Deferred Coupon Payment will be payable by the liquidator in the same manner and with the same ranking as the principal on the related Capital Securities or (ii) in the case of a Definitive Suspension.</p>
Dividend and Capital Restriction	Following any Coupon Payment Date on which we do not make payment in full of the Coupon Payments to be paid on such date, we will not (a) declare or pay dividends, distributions or other similar periodic payments in respect of any Junior Securities (other than a dividend declared by us with respect to our ordinary shares prior to the date on which we give notice to defer such Coupon Payment) or (b) repurchase, redeem or otherwise acquire any Junior Security or Parity Security, in each case unless and until (i) an amount equal to the Coupon Payments otherwise due and payable on the next succeeding Coupon Payment Date on all outstanding Capital Securities on such date is paid in full or duly set aside or provided for in full for the benefit of the holders, or (ii) if earlier, all outstanding Deferred Coupon Payments are satisfied in full using the Alternative Coupon Satisfaction Mechanism.

Table of Contents

In addition, if we elect to make any periodic payment on any Parity Securities, which provide for our discretion with respect to such periodic payments, we will be required to settle all outstanding Deferred Coupon Payments in accordance with the Alternative Coupon Satisfaction Mechanism.

Solvency Condition

Our obligation to make any payment of principal, Coupon Payments in cash and Deferred Coupon Payments through the Alternative Coupon Satisfaction Mechanism, whether prior or subsequent to the commencement of our winding up, is conditional upon us being able to make such payment and remain Solvent immediately thereafter. No such payment in respect of any Capital Securities which would otherwise fall due for payment while we are unable to satisfy the Solvency Condition will fall so due and any such payment which would otherwise be a Coupon Payment will constitute a Deferred Coupon Payment.

Optional and Special Event Redemption

The Capital Securities are perpetual securities and have no fixed maturity date and are not redeemable at the option of the holders at any time. We may redeem the Capital Securities, in whole or in part, at our option, at any time on or after December 15, 2015 or in whole (but not in part) at our option at any time upon the occurrence of a Tax Event or a Regulatory Event. See "*Risk Factors Risks Relating to the Capital Securities We may redeem the Capital Securities and the Preference Shares at any time for certain tax or regulatory reasons. More generally, we may redeem the Capital Securities at our option on or after December 15, 2015 and the Preference Shares at our option after the first call date with respect to the Preference Shares.*" In each case, the redemption price will be equal to their principal amount together with any accrued and unpaid Coupon Payments to the Capital Security Redemption Date and the aggregate amount of any Deferred Coupon Payments, subject to our obligation to make payment of Deferred Coupon Payments only through the Alternative Coupon Satisfaction Mechanism.

Alternative Coupon Satisfaction Mechanism

We are permitted to satisfy our obligation to make any Deferred Coupon Payment only in accordance with the Alternative Coupon Satisfaction Mechanism described under "*Description of the Capital Securities Alternative Coupon Satisfaction Mechanism*" on pages S-38 to S-42 of this prospectus supplement except in case of our winding up or a Definitive Suspension. In any such case, the Calculation Agent will calculate in advance the number of ACSM Securities to be issued in order to enable us to raise the full amount of Deferred Coupon Payments to be satisfied on the relevant ACSM Payment Date. You will receive all payments in respect of the Capital Securities in cash.

S-7

Table of Contents

Variation	If a Tax Event or a Regulatory Event has occurred and is continuing, we may, subject to certain conditions described under " <i>Description of the Capital Securities Redemption Variation Instead of Redemption</i> " on page S-31 of this prospectus supplement, and having given not less than 30 days' nor more than 60 days' notice to the Trustee, the principal paying agent and the holders of the Capital Securities, vary the terms of the Capital Securities without the consent of any holder of the Capital Securities so that they remain Qualifying Securities.
Exchange Option	Subject to certain conditions described herein, we may exchange the Capital Securities in whole (but not in part), at our option, for Preference Shares issued by us, on any Coupon Payment Date upon giving not less than 30 days' nor more than 60 days' notice.
Preference Shares	<p>Each series of Perpetual Non-Cumulative Preference Shares, or Preference Shares, issued upon exchange of Capital Securities will constitute a separate series of our non-cumulative dollar denominated preference shares.</p> <p>If we do not declare a dividend on any dividend payment date, holders of the Preference Shares will have no claim in respect of non- payment and we will have no obligation to pay such dividend or part thereof or interest thereon.</p> <p>The Preference Shares will be represented by American Depositary Shares, or ADSs, evidenced by American Depositary Receipts, or ADRs. Each ADR will represent a specified number of Preference Shares.</p> <p>The Preference Shares will rank <i>pari passu</i> as to return of assets on a winding up with any class or classes of preference shares from time to time issued by us which have a preferential right to a return of assets in the winding up over, and so ahead of, the holders of all other classes of issued shares for the time being in our capital (and thus <i>pari passu</i> with (x) HSBC Holdings plc 6.20% Non-Cumulative Dollar Preference Shares Series A issued in 2005, (y) the HSBC Holdings plc 8.125% Perpetual Subordinated Capital Securities issued in 2008 and (z) the Parity Guarantees), but junior to the claims of the Senior Creditors.</p> <p>Non-cumulative preferential dividends on the Preference Shares will be payable if declared by our board of directors. If declared, any such dividend will amount to % of the liquidation preference per annum, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on the first such date occurring after the relevant Exchange Date.</p>

Table of Contents

	<p>The first call date with respect to any Preference Shares issued in exchange for the Capital Securities will not be earlier than December 15, 2015, other than upon the occurrence of certain adverse changes to tax and/or regulatory treatment of such Preference Shares.</p>
	<p>The Preference Shares will be issued at a nominal value of US\$0.01 per share and a premium of US\$24.99 per share, with both such amounts being subscribed and fully paid.</p>
Payment of additional amounts	<p>We will pay additional amounts in respect of the Capital Securities described under "<i>Description of the Capital Securities Additional Amounts</i>" on page S-37 this prospectus supplement.</p>
Subordination	<p>The rights of holders of the Capital Securities will, in the event of our winding up, be subordinated in right of payment to claims of our depositors and all our other creditors other than claims which are by their terms, or are expressed to be, subordinated to or <i>pari passu</i> with the Capital Securities as further described under "<i>Description of the Capital Securities Subordination</i>" on pages S-34 and S-35 of this prospectus supplement.</p>
Form of Capital Securities	<p>The Capital Securities will be issued in global bearer form without coupons attached and be deposited with The Bank of New York Mellon, as the book-entry depository. The book-entry depository will hold the global capital security for the benefit of The Depository Trust Company, which will operate a book-entry system for transfers of interests in the global capital security.</p>
Trading through DTC, Clearstream, Luxembourg and Euroclear	<p>Initial settlement for the Capital Securities will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream Banking, <i>société anonyme</i>, in Luxembourg ("Clearstream, Luxembourg") customers and/or Euroclear Bank S.A./N.V. ("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.</p>

Table of Contents

Listing	Application will be made to list the Capital Securities on the New York Stock Exchange in accordance with its rules. If we decide to exchange the Capital Securities for Preference Shares, upon our giving notice of such exchange, we will undertake to obtain a listing of the Preference Shares (in the form of ADSs evidenced by ADRs) on the New York Stock Exchange if (i) either the Capital Securities immediately prior to such exchange or (ii) our ordinary shares at the time of such exchange are listed on the New York Stock Exchange, otherwise on any other internationally recognized stock exchange.
Sinking fund	There is no sinking fund for the Capital Securities.
Trustee	We will issue the Capital Securities under an indenture with The Bank of New York Mellon, as trustee, dated April 8, 2008, which is referred to on pages 9 and 10 of the attached prospectus.
Use of proceeds	We will use the net proceeds from the sale of the Capital Securities to support our development and to strengthen further our capital base.
Conflicts of Interest	HSBC Securities (USA) Inc. is an affiliate of HSBC Holdings plc, and, as such, the offering is being conducted in compliance with the NASD Rule 2720, as administered by the Financial Industry Regulatory Authority ("FINRA").
Governing law and jurisdiction	The indenture and the Capital Securities will be governed by New York law, except that the subordination provisions of the indenture and the Capital Securities 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 Capital Securities may be instituted in any state or federal court in the Borough of Manhattan in New York City, New York.

Table of Contents

RISK FACTORS

Terms which are defined in "Description of Capital Securities" included in this prospectus supplement beginning on page S-28 have the same meaning when used in this section.

Risks Relating to HSBC's Business

Current economic and market conditions may adversely affect HSBC's results.

HSBC's earnings are affected by global and local economic and market conditions. The dislocation in financial markets which began in August 2007 put financial institutions under considerable pressure. Market turbulence was accompanied by recessionary conditions in developed economies and a slowdown in emerging countries, with serious adverse consequences for asset values, employment, consumer confidence and levels of economic activity. The global economy entered the most severe downturn for 80 years in 2008.

Governments and central banks took concerted action to make substantial funds and deposit guarantees available to boost liquidity and confidence in their financial systems, stimulate lending and support institutions which were judged to be at risk of failing. In addition, governments extended fiscal stimulus programs and central banks reduced interest rates. As a consequence, conditions eased in 2009 and most leading developed economies began to emerge from recession, although the pace and depth of recovery was uneven across economies and asset markets. The financial services industry continued to face an unusually high degree of uncertainty.

Despite some evidence of stabilization in housing market conditions during 2009, the dramatic declines of the previous two years, particularly in the US and the UK, continued to affect adversely the credit performance of real estate-related exposures. Higher unemployment undermined consumer confidence and this, coupled with the deterioration in house prices, led to lower spending which weakened economies. This resulted in significant write-downs of related asset values by financial institutions, including HSBC. These write-downs, both of direct lending exposures and of asset-backed securities, caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger competitors and, in some cases, to fail.

Economic conditions remain fragile, and the risk exists that major economies may suffer a "double dip" recession in which the improvements seen in a number of important markets reverse. This could have an adverse effect on HSBC's operating results. In particular, the Group may face the following challenges in connection with these events:

HSBC's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if the models and techniques it uses become less accurate in their predictions of future behavior, valuations or estimates. The process HSBC uses to estimate losses inherent in its credit exposure or assess the value of certain assets requires difficult, subjective and complex judgments. These include forecasts of economic conditions and how predicted economic scenarios may impair the ability of HSBC's borrowers to repay their loans or affect the value of assets. As a consequence, this process may be less capable of making accurate estimates which, in turn, may undermine the reliability of the process;

the demand for borrowing from creditworthy customers may diminish should economic activity slow;

a prolonged period of low interest rates will constrain net interest income earned by HSBC on its excess deposits;

HSBC's ability to borrow from other financial institutions or to engage in funding transactions on favorable terms, or at all, could be adversely affected by any renewed disruption in the capital markets or deteriorating investor sentiment;

Table of Contents

market developments may continue to depress consumer confidence and may cause further declines in credit card usage and adverse changes in payment patterns, leading to increases in delinquencies and default rates, write-offs and loan impairment charges beyond HSBC's expectations;

loan impairment allowances and write-offs would be likely to rise in the event of a 'double dip' recession as consumer confidence weakened and business failures increased;

HSBC expects to face increased regulation and supervision of the financial services industry, following new proposed regulatory measures in countries in which it operates;

trade and capital flows may contract as a result of protectionist measures being introduced in certain markets; and

increased government ownership and control over financial institutions and further consolidation in the financial industry which could significantly alter the competitive landscape.

As a global financial institution, HSBC is exposed to these developments across all its businesses, both directly and through their impact on its customers and clients. Local variations exist, however, reflecting regional circumstances and presenting challenges to HSBC which are specific to those areas. HSBC's strong balance sheet and capital position, its roots in emerging markets and its links with the developed world provide it with the platform to continue to grow, taking opportunities to expand its operations in existing markets and connect local customers internationally.

Europe

In the UK, the contraction in economic output appears to have ceased with the country emerging slowly from recession in the last quarter of 2009. However, economic indicators remain weak and the risk of the country slipping back into recession in 2010 remains, thus delaying the recovery. Government measures to tackle the record levels of national debt, including taxation increases and public spending cuts, are also likely to result in a slower recovery than from other recessions. Political involvement in the regulatory environment and the major financial institutions in which the state has a direct financial interest will continue. Government demands for increased credit to support the economic recovery coupled with regulatory actions to diminish the banking sector's reliance on short-term wholesale funding will increase competition for deposits, narrowing margins. The combination of slow economic recovery, government intervention and increased competition for deposits will maintain pressure on profitability within HSBC's retail business model. Credit quality is expected to improve in some sectors, however, as the economy returns to growth but could suffer a reversal should there be any further increase in unemployment in 2010.

In France, following government stimulus measures, the economy has started recovering with gross domestic product ("GDP") growing slightly from the second quarter of 2009 and the number of companies in default stabilizing. Although unemployment is rising and there are concerns about the public deficit, household consumption remains robust and continues to drive the economy. HSBC's retail business model depends on banking fees and a consolidation of the recovery observed in the financial markets in 2009 will help sustain profitability. Credit quality is expected to remain stable for personal customers due to the quality of the client base, though the outlook for commercial credit remains less certain.

Outside the UK and France, conditions are likely to remain difficult in some of the countries in which HSBC currently operates in Europe and volatility is expected to continue, in particular as markets focus on potential sovereign credit deterioration.

Table of Contents

Hong Kong and Rest of Asia-Pacific

In Asia-Pacific, Hong Kong remains HSBC's key market, and through the financial crisis has continued to generate relatively high returns on capital. HSBC will invest to maintain its competitive position in Hong Kong while continuing to support its growing franchises in other markets in the region. The slowdown in commercial activity, which precipitated the coordinated government stimulus packages, affected fee-based businesses, and continuing low interest rates have left deposit spreads compressed. However, HSBC is now seeing more lending demand as regional economies emerge from recession and equity markets and cross-border trade flows improve. HSBC attracted higher deposits in 2009 despite intensified competition for liquidity, and this added to the challenges of finding opportunities to deploy the deposits where credit demand remained muted. A recent increase in lending has started to ease some of these pressures. Emerging markets in Asia-Pacific currently offer the brightest prospects, with GDP growth in mainland China and India, in particular, expected to be strong in 2010.

As the world's fastest growing region, Asia is expected to drive incremental growth in the global recovery. Inflation triggered by rising output prices and increased demand remains a concern which has prompted regulatory interventions in the form of 'cooling measures' to manage asset growth and prevent, as far as possible, asset bubbles emerging. Mainland China has been prominent in taking a lead in this area. HSBC's strong liquidity position in the region remains key to the Group's ability to expand as well as increase margins when interest rates begin to rise again, the timing of which remains uncertain. Regional markets are likely to remain competitive due to the growing presence of large domestic and regional banks, for example, the mainland Chinese banks in Hong Kong.

Middle East

After a very difficult year, there are signs that the conditions for a recovery in Middle East economic activity have begun to emerge. Assuming an average oil price in excess of US\$70 a barrel, public finances in the key oil producing states such as Saudi Arabia, Qatar and the United Arab Emirates ("UAE") should improve, allowing governments to maintain and even accelerate fiscal stimulus programs.

Investment spending is also likely to pick up after last year's slowdown, although ongoing difficulty accessing funding will impede the pace of capital spending growth for the public and private sector alike. Tight financing conditions as well as a sharp fall in asset prices in some parts of the region will also weigh on an expected increase in private consumption levels.

Provided the external environment continues to strengthen, regional non-commodity exporters such as Egypt should see the recent downturn in demand for tourism and trade services slowly reverse, offering additional support for growth.

With most regional economies basing their monetary regimes around a US dollar-peg, interest rates are expected to remain at historically low levels across much of the region in 2010. Coupled with growth in government spending and gains in global commodity prices, this may result in a rise in inflation. After the sharp economic downturn of 2009, however, the increase in price pressure is unlikely to be pronounced.

North America

In 2009, the economic backdrop in the US continued to be characterized by tight credit conditions, reduced economic growth and a weak housing market. Against this, market confidence began to increase, beginning in the second quarter of the year, stemming largely from government initiatives to restore faith in the capital markets, and the benefits to borrowers of the prolonged period of low Federal funds rates. The latter put pressure on spreads earned on HSBC's deposit base, however. As

Table of Contents

the disruption to financial markets eased, evidence emerged of contracting credit spreads and improved liquidity during 2009, beginning in the second quarter of the year, enabling many companies to issue debt and raise new capital.

The reduction in uncertainty helped capital markets to recover and stock markets to rise. Signs of stabilization in house prices, most notably in the lower price ranges, began to emerge in the third quarter of the year. An improvement in unemployment and a sustained recovery in the housing market continue to remain critical to consumer confidence and a broader US economic recovery. Although consumer confidence has improved, it remains depressed on a historical basis, driven by declines in household income and wealth and the job market remaining difficult. It is likely that these conditions will continue to constrain the Group's results into 2010, although the degree to which this happens remains uncertain.

On 14 January 2010, the US Administration announced its intention to propose a Financial Crisis Responsibility Fee to be assessed against financial institutions with more than US\$50 billion on consolidated assets for at least 10 years. It is not possible to assess the financial impact of this proposal, however, until final legislation has been enacted.

Latin America

Economic activity in Latin America was affected by the global economic recession in 2009. The region's weighted average GDP is expected to fall by 2.7% in the year, though growth may resume in 2010 given the outlook for world trade and a rebound in economic activity. Unemployment rates in the region rose in 2009 and it is probable that this trend will continue, albeit at a slower pace as economies begin to recover. Inflation fell due to falling commodity prices and lower demand. These effects will begin to reverse in 2010 and consequently inflation may rise.

HSBC is positioning itself to grow in select customer markets, though challenges remain to expanding business volumes. Margin pressures are expected to continue throughout the region due to fierce competition for prime customers and lower interest rates than the historical averages. Any further reduction in GDP and increase in unemployment will negatively affect business activity, compounded by uncertainty surrounding presidential elections in Costa Rica, Colombia and Brazil in 2010 and in Peru and Argentina in 2011.

Liquidity and funding risks are inherent in HSBC's business.

HSBC's business model is founded upon having ready access to financial resources whenever required to meet its obligations and grow its business. To this end, HSBC entities seek to maintain a diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances, and certain entities augment this with modest amounts of long-term wholesale funding. In addition, HSBC holds portfolios of highly liquid assets diversified by currency and maturity to enable it to respond to unusual liquidity requirements.

Where markets become illiquid, the value at which financial instruments can be realized is highly uncertain, and although processes are available to estimate fair values, they require substantial elements of judgment, assumptions and estimates (which may change over time). The risk of illiquidity, therefore, may reduce capital resources as valuations decline. Actions or the threat of actions by third parties and independent market participants, such as rating agency downgrades of instruments to which HSBC has exposure, can result in reduced liquidity and valuations of those instruments. The liquidity of those HSBC entities that utilize long-term wholesale markets could be constrained by an inability to access them due to a variety of unforeseen market dislocations or interruptions. Rating agencies which determine HSBC's credit ratings and thereby influence the Group's cost of funds, take into consideration the effectiveness of HSBC's liquidity risk management framework.

Table of Contents

The market conditions that the financial services industry experienced during the height of the crisis were reflected in decreased liquidity, reduced availability of long-term wholesale market funding, pressure on capital and extreme price volatility across a wide range of asset classes. Illiquidity prevented the realization of some asset positions and constrained risk distribution in ongoing banking activities. The market conditions also highlighted the significant benefits of a diversified core deposit base, leading to increased competition for such deposits and the greater risk of deposit migration between competitors.

HSBC's Global Banking and Markets business operates in many markets affected by illiquidity and is subject to the threat of extreme price volatility, either directly or indirectly, through exposures to securities, loans, derivatives and other commitments. At the height of the financial crisis, HSBC made substantial write-downs and recognized impairments on illiquid legacy credit and structured credit positions. Although during 2009 there was some moderation in market conditions, it is difficult to predict if this trend will continue and, if conditions worsen, which of HSBC's markets, products and other businesses will be affected. Any repeat of these factors could have an adverse effect on the Group's results.

Reform of the regulatory environment presents risks to HSBC.

There are potential strategic and structural risks to the organization, nature and scope of the Group's business activities and opportunities posed by many of the proposals for regulatory reform being debated both internationally and domestically in response to the recent financial crisis. A consensus has emerged among the G-20 nations that institutions that would pose a systemic risk if they were to fail should be subject to enhanced regulation in markets in which they have a substantial presence. HSBC is likely to be considered a systemically significant institution in its key markets. The Basel Committee on Banking Supervision ("The Committee") has issued a comprehensive reform package to address the lessons of the crisis which includes proposals on strengthening global capital and liquidity regulations and the resolution of systemically significant cross-border banks. The Committee's paper entitled 'Strengthening the Resilience of the Banking Sector' proposes changes to both the composition of capital and the risk coverage of the capital framework, as well as the introduction of a leverage ratio and measures to promote the build up of capital buffers. The stated intention of these proposals is to promote a more resilient banking sector, to improve the banking sector's ability to absorb shocks, to improve risk management and to strengthen bank transparency and disclosure. The proposals on liquidity aim to elevate the resilience of internationally active banks to liquidity stresses, as well as increasing international harmonisation of liquidity risk supervision. A study of the impact of all these proposals on individual banks, and the financial services industry as a whole, is taking place in the first half of 2010 in parallel with a consultation process. The Committee is then seeking to agree proposals by the end of 2010 for implementation by the end of 2012.

At the same time, the European Commission, the UK Tripartite Authorities (HM Treasury, the Bank of England and the Financial Services Authority ("FSA")), the US Government and others have made a number of proposals for adjustments in their regulatory regimes which could affect entities in the HSBC Group. HSBC is engaged actively in discussions with its regulators, both directly and through industry bodies, on the appropriate regime to be applied to various activities and entities, taking into account the interaction of global and local regulations. The precise nature, extent, form and timing of any regulatory changes, as well as the degree to which there will be effective consultation among the various jurisdictions involved, are highly uncertain and thus it is not possible to determine or estimate the likely actual impact on the Group's business and activities. Major areas where reform is being actively discussed, all of which could affect HSBC's business and activities, are possible capital surcharges for systemically important banks, greater emphasis on standalone national subsidiaries, reduced interconnectedness within the system, changes to capital regulations affecting both capital and

Table of Contents

capital requirements, changes in compensation practices, restrictions on certain types of financial products, and greater separation of retail and wholesale activities.

HSBC Bank, like all authorised institutions in the UK, is subject to a 'Special Resolutions Regime' under the Banking Act 2009 which gives wide powers in respect of UK banks and their parent companies to HM Treasury, the Bank of England and the FSA in circumstances where any such UK bank has encountered or is likely to encounter financial difficulties.

HSBC is subject to political and economic risks in the countries in which it operates.

HSBC operates through an international network of subsidiaries and affiliates in 88 countries and territories around the world. Its results are, therefore, subject to the risk of loss from unfavorable political developments, currency fluctuations, social instability and changes in government policies on such matters as expropriation, authorizations, international ownership, interest-rate caps, limits on dividend flows and tax in the jurisdictions in which it operates. These factors may also negatively affect revenues from the trading of securities and investment in securities, and credit quality in lending portfolios. The ability of HSBC's subsidiaries and affiliates to pay dividends could be restricted by changes in official banking measures, exchange controls and other requirements. HSBC prepares its accounts in US dollars, but because a substantial portion of its assets, liabilities, assets under management, revenues and expenses are denominated in other currencies, changes in foreign exchange rates have an effect on its reported income, cash flows and shareholders' equity.

HSBC has significant exposure to counterparty risk both within the financial sector and to other risk concentrations.

HSBC has exposure to virtually all major industries and counterparties, and it routinely executes transactions with counterparties in financial services, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose HSBC to credit risk in the event of default by its counterparty or client. HSBC's ability to engage in routine transactions to fund its operations and manage its risks could be adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. As a consequence, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses. Where counterparty risk has been mitigated by taking collateral, HSBC's credit risk may remain high if the collateral it holds cannot be realized or has to be liquidated at prices which are insufficient to recover the full amount of its loan or derivative exposure.

HSBC operates in a highly competitive environment, and competition could intensify as a result of current global market conditions and possible changes thereto.

The financial crisis has begun to re-shape the banking landscape globally and those institutions which have emerged the strongest have reinforced both the importance of a core retail and commercial deposit funding base and strong capitalization.

At the height of the crisis, financial institutions requiring support from governments in a variety of ways were characterized broadly as being dependent on short-term wholesale funding which failed to roll over due to market concerns about the quality of the assets being funded. As a consequence, financial firms have sought to reduce the proportion of their balance sheets funded in the wholesale markets. As a result, competition for retail deposits and tighter balance sheet control have resulted in re-pricing of loans and advances. Although the financial industry's renewed focus on building retail deposit bases has resulted in greater price competition in terms of interest rates offered, the strength of

Table of Contents

HSBC's brand and its longstanding conservative balance sheet structure and its relationship-based approach have enabled the Group to increase deposits in the current environment.

Further consolidation is expected to take place through portfolio disposals, the sale of banks and financial institutions weakened by the crisis, or the consolidation of smaller institutions which lack the scale to compete in a world of higher capital and liquidity requirements.

In addition, the crisis has reinforced a global economic shift towards emerging markets. It is now expected that much of the growth in financial services will be in emerging markets as their economies continue to grow and the relative penetration of banking activities increases.

HSBC is subject to legal and compliance risks, which could have an adverse effect on the Group.

Legal and compliance risks arise from a variety of sources with the potential to cause harm to HSBC and its ability to operate. These issues require the Group to deal appropriately with potential conflicts of interest; regulatory requirements; ethical issues; anti-money laundering laws and regulations; privacy laws; information security policies; sales and trading practices; and the conduct of companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to HSBC, with an increase in the number of litigation claims and the amount of damages asserted against HSBC, or subject HSBC to regulatory enforcement actions, fines or penalties or reputational damage.

Operational risks are inherent in HSBC's business.

HSBC is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non availability. HSBC is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses in service to customers and/or economic loss to HSBC. All of these risks are also applicable where HSBC relies on outside suppliers or vendors to provide services to it and its customers.

The reliability and security of HSBC's information and technology infrastructure and its customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical system failure, any prolonged loss of service availability or any material breach of data security, particularly involving confidential customer data, could cause serious damage to the Group's ability to service its clients, could breach regulations under which HSBC operates and could cause long-term damage to its business and brand.

HSBC is subject to tax-related risks in the countries in which it operates, which could have an adverse effect on its operating results.

HSBC is subject to the substance and interpretation of tax laws in all countries in which it operates. Tax risk is the risk associated with changes in tax law or the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to increased tax charges, including financial or operating penalties.

Table of Contents

Risks Relating to the Capital Securities

We may redeem the Capital Securities and the Preference Shares at any time for certain tax or regulatory reasons. More generally, we may redeem the Capital Securities at our option on or after December 15, 2015 and the Preference Shares at our option after the first call date with respect to the Preference Shares.

Although the Capital Securities have no maturity date, we may redeem the Capital Securities in whole or in part at any time falling on or after December 15, 2015 at par plus accrued Coupon Payments, including any Deferred Coupon Payments, subject to satisfaction of certain conditions and our obligation to make payment of any outstanding Deferred Coupon Payments through the Alternative Coupon Satisfaction Mechanism. We may redeem the Preference Shares at our option at any time on or after their first call date, which will be no earlier than December 15, 2015, at a redemption price of at least \$25, together with any accumulated dividend for the then-current dividend period to the date fixed for redemption. We may also redeem the Capital Securities at any time in whole (but not in part) upon the occurrence of a Tax Event or a Regulatory Event, as more particularly described under "*Description of the Capital Securities Redemption*", and in the event of a Definitive Suspension as described under "*Description of the Capital Securities Suspension*", and may redeem the Preference Shares at any time upon the occurrence of certain adverse changes to the tax or regulatory treatment of the Preference Shares. Certain of such events may occur at any time after the issue date of the Capital Securities and it is therefore possible that we would be able to redeem the Capital Securities or the Preference Shares at any time after such issue date.

On December 17, 2009, the Basel Committee on Banking Supervision published a consultative document entitled "Strengthening the resilience of the banking sector". The proposals outlined in this document contain a new set of criteria for Tier 1-qualifying securities that are not consistent with certain features of the Capital Securities and may not be consistent with certain features of the Preference Shares. The committee has proposed for the new criteria to be implemented by year-end 2012 and has also proposed that only instruments issued prior to the date of publication of the consultative document should benefit from a transition arrangement allowing the issuer to continue to treat the instruments as Tier 1 capital for a period of time. On February 27, 2010, the European Commission published a working document entitled "Possible Further Changes to the Capital Requirements Directive" (also known as "CRD IV"), which endorses the proposal of the Basel Committee on Banking Supervision. The proposed new international regulations described above are still in draft form. To the extent they are adopted in their current form by the European Commission, or any other event occurs that results in there being more than an insubstantial risk, or in any increase in risk, that, for the purposes of the FSA's capital adequacy requirements applicable to banks in the United Kingdom at that time, (a) the Capital Securities may not be included in our Tier 1 Capital or (b) the Preference Shares would not be included in our Non-Innovative Tier 1 Capital, our right to redeem the Capital Securities or Preference Shares for regulatory reasons may be triggered.

If we redeem the Capital Securities or the Preference Shares 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 the Capital Securities or the Preference Shares may be subject to FSA conditions, regardless of whether such redemption would be favorable or unfavorable to you.

Coupon Payments on the Capital Securities may be deferred at any time and any Coupon Payment that is deferred is required to be paid only upon redemption, variation or exchange (which may only occur in limited circumstances) or upon our winding up or in the case of a Definitive Suspension.

We may elect to defer any Coupon Payment at any time. In addition, our obligation to make any payment of principal or any Coupon Payments in cash and to make Deferred Coupon Payments through the Alternative Coupon Satisfaction Mechanism, whether prior or subsequent to the

Table of Contents

commencement of our winding up, is conditional upon us being able to make such payment and remain Solvent immediately thereafter. No such payment in respect of any Capital Securities which would otherwise fall due for payment while we are unable to satisfy the Solvency Condition will fall so due and will constitute a Deferred Coupon Payment.

Payments of Deferred Coupon Payments with respect to the Capital Securities are required to be paid only upon redemption, variation or exchange of the Capital Securities (which may only occur in limited circumstances), upon our winding up or in the case of a Definitive Suspension, and not in any other circumstances. We are permitted to satisfy our obligation to make Deferred Coupon Payments on a Capital Security Redemption Date, Variation Date or Exchange Date only in accordance with the Alternative Coupon Satisfaction Mechanism described herein.

Any deferral of Coupon Payments may cause the Capital Securities to trade at a lower price than if all Coupon Payments have been made.

Dividends on our Preference Shares are non-cumulative and are fully discretionary. Also, dividends may not be declared and paid in full if we do not have sufficient distributable profits or if we fail to meet certain solvency requirements and other conditions prescribed by the FSA are not met.

We may exchange the Capital Securities at our option on any Coupon Payment Date for our Preference Shares. Our board of directors at its sole discretion may elect not to pay dividends on our Preference Shares. Also, our board of directors cannot declare and pay in full dividends on a series of Preference Shares if our board of directors determines that we do not have sufficient distributable profits or if we fail to meet certain solvency or other requirements prescribed by the FSA. If, for any such reason, our board of directors does not pay a dividend when due on a dividend payment date in respect of the Preference Shares, then holders of such shares will have no claim in respect of the non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Preference Shares are declared for any future dividend period.

The Capital Securities are, and any Preference Shares will be, perpetual securities and need not be redeemed by us.

We are under no obligation to redeem the Capital Securities or the Preference Shares at any time and the holders of the Capital Securities or the Preference Shares have no right to call for their redemption.