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16 March 2016

(Hong Kong Stock Code: 5)

## HSBC HOLDINGS PLC

### Waiver granted pursuant to Rule 13.36(1) of the Hong Kong Listing Rules relating to contingent convertible securities

HSBC Holdings plc (the “**Company**”) has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.36(1) of the Hong Kong Listing Rules pursuant to which the Company is permitted to seek (and, if approved, to utilise) an authority (the “**Mandate**”) to issue Contingent Convertible Securities (“**CCSs**”) (and to allot ordinary shares into which they may be converted or exchanged) in excess of the limit of the general mandate of 20 per cent of the Company’s issued share capital (the “**Waiver**”). CCSs are debt securities which convert into ordinary shares in certain prescribed circumstances, and which benefit from a particular regulatory capital treatment under European Union legislation.

#### Background to the Waiver

The Company typically seeks at each AGM a general authority to allot shares both on a pre-emptive and non-pre-emptive basis (“**General Allotment Authority**”). The General Allotment Authority to be sought at the Company’s 2016 AGM will be set out in Resolutions 7 and 8 of the Notice of AGM which will be published on or about 18 March. Such authority complies both with institutional guidelines issued by The Investment Association, and with the relevant requirements of the Hong Kong Listing Rules including Rule 13.36(2) which limits the general mandate to 20 per cent of the Company’s issued share capital.

In addition to the General Allotment Authority referred to above, the Company intends at its 2016 AGM and (subject to obtaining an appropriate waiver from the Stock Exchange on an annual basis) at future AGMs to seek shareholder approval for the Mandate, which will allow the Directors to create and issue CCSs that automatically convert into, or are exchanged for, ordinary shares in the Company in prescribed circumstances, such as HSBC Group’s capital ratios falling below a certain level. The Mandate to be sought at the Company’s 2016 AGM will be set out in Resolutions 11 and 12 of the Notice of AGM.

#### Description of CCSs

CCSs are debt securities that benefit from a particular regulatory capital treatment under European Union legislation. As a banking group, HSBC must meet minimum regulatory capital requirements in the countries in which it operates. These include compliance with European Union legislation under which banks and bank holding companies are required to maintain Tier 1 Capital of at least 6 per cent of their risk weighted assets. Of that 1.5 per cent of risk weighted assets may be in the form of Additional Tier 1 Capital.

#### HSBC Holdings plc

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*Incorporated in England with limited liability. Registered in England: number 617987*

In order to qualify as Additional Tier 1 Capital, a security must contain certain features designed to increase the resilience of the issuing bank should the bank's financial condition deteriorate materially. On the occurrence of a defined trigger event, a CCS would be mandatorily converted or exchanged into ordinary shares of HSBC. The conversion or exchange would have the effect of increasing the issuer's Common Equity Tier 1 capital ratio.

The CCSs which HSBC has issued to date have included a term which provides that on the occurrence of a Trigger Event, the Directors may elect, at their discretion, to give shareholders the opportunity to purchase ordinary shares issued on conversion or exchange of any CCSs on a pro rata basis, where practicable and subject to applicable laws and regulations. This would be at the same price as the holders of the CCSs would have acquired the ordinary shares. Last year's Notice of AGM referred to a report issued by the European Banking Authority ("EBA") in October 2014 which suggested that this type of provision should not be included in issuances of Additional Tier 1 Capital instruments. However, in an update on that report issued in May 2015, the EBA confirmed that this type of provision is acceptable. The Directors intend in future issuances of CCSs to retain the discretion to offer the opportunity to shareholders to purchase ordinary shares issued on conversion or exchange of CCSs.

Further details on CCSs will be out in Appendix 1 of the Notice of AGM which will be published on or about 18 March.

### **Reasons for seeking the Waiver**

Issuing CCSs gives HSBC greater flexibility to manage its capital in the most efficient and economical way. It is expected that Additional Tier 1 Capital will be a cheaper form of capital than issuing and maintaining Common Equity Tier 1 capital (e.g. ordinary shares) to satisfy the Tier 1 Capital requirement and (provided that no event which would trigger conversion occurs) non-dilutive to existing shareholders. This should improve the returns available to existing shareholders whilst maintaining HSBC's capital strength, in line with prevailing banking regulations.

Accordingly, shareholder approval for the Mandate is to be sought at the Company's 2016 AGM and is expected to be sought at future AGMs. The Waiver, which is to be sought on an annual basis, permits the Company to seek the Mandate without complying with the strict requirements of Rule 13.36(1) of the Hong Kong Listing Rules, which would otherwise require the Company to seek the further approval of shareholders each time the Company proposes to issue CCSs.

Given the administrative burden both in cost and time for a company the size of HSBC to obtain these types of authorities, the Directors do not consider it practical or in the interests of shareholders to seek a new authority each time an issue of CCSs is proposed. It is important to have the flexibility to react quickly to market and regulatory demand. Furthermore, in order to obtain Prudential Regulation Authority ("**PRA**") approval to the issuance of CCSs, all necessary allotment authorities need to be in place, so the process of seeking a new authority in addition to PRA approval would lead to unacceptable delay.

### **Terms of the Waiver**

The waiver has been granted on terms that permit the Mandate, if approved, to continue in force until:

- (i) the conclusion of the first AGM of the Company following the date on which the Mandate is approved (or an earlier date which the Company may specify) at which time the Mandate shall lapse unless it is renewed, either unconditionally or subject to conditions; or
- (ii) such time as it is revoked or varied by ordinary resolution of the shareholders in general meeting.

The Waiver is granted subject to the conditions that the Company must announce the Waiver (with reasons and details) before seeking the Mandate; and that any announcement of the Waiver, and any announcements and circulars in connection with the Mandate, should clearly indicate the Mandate is in addition to the general mandate under Rule 13.36(2). The Mandate to be sought annually will permit the directors to determine the terms of the CCSs at the time of their issue within the terms of the approval granted by shareholders. Each Mandate will grant authority to allot CCSs which are convertible into a specified maximum amount of share capital. The terms of the CCSs will specify a fixed conversion price or a mechanism for setting a conversion price which will determine how many ordinary shares are issued on conversion or exchange of the CCSs if an event triggering conversion occurred. The circular accompanying the notice of the AGM at which each Mandate is sought will specify a minimum conversion price for that Mandate. The Company will only issue CCSs pursuant to the authority granted under the Mandate and not under its General Allotment Authority.

For and on behalf of  
**HSBC Holdings plc**  
Ben JS Mathews  
*Group Company Secretary*

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: Douglas Flint, Stuart Gulliver, Phillip Ameen<sup>†</sup>, Kathleen Casey<sup>†</sup>, Laura Cha<sup>†</sup>, Henri de Castries<sup>†</sup>, Lord Evans of Weardale<sup>†</sup>, Joachim Faber<sup>†</sup>, Rona Fairhead<sup>†</sup>, Sam Laidlaw<sup>†</sup>, Irene Lee<sup>†</sup>, John Lipsky<sup>†</sup>, Rachel Lomax<sup>†</sup>, Iain Mackay, Heidi Miller<sup>†</sup>, Marc Moses, Sir Simon Robertson<sup>†</sup>, Jonathan Symonds<sup>†</sup>, Pauline van der Meer Mohr<sup>†</sup> and Paul Walsh<sup>†</sup>.

<sup>†</sup> Independent non-executive Director

## Definitions

<b>AGM</b>	annual general meeting
<b>Company</b> or <b>HSBC</b>	HSBC Holdings plc
<b>Hong Kong Listing Rules</b>	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
<b>Notice of AGM</b>	the notice of the AGM of the Company to be held in 2016, together with the accompanying circular, which will be published on or about 18 March.
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited.