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25 May 2016

(Hong Kong Stock Code: 5)

## **HSBC HOLDINGS PLC ISSUANCE OF PERPETUAL SUBORDINATED CONTINGENT CONVERTIBLE SECURITIES**

HSBC Holdings plc (the “**Company**”) intends to issue US\$2,000,000,000 6.875% Perpetual Subordinated Contingent Convertible Securities (Callable June 2021 and Every Five Years Thereafter) (ISIN US404280BC26) (the “**Securities**”) on 1 June 2016 (the “**Issue Date**”).

The Securities are expected to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange within 30 days of the Issue Date. The denominations of the Securities will be US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Securities are issued pursuant to an indenture dated 1 August 2014 (as supplemented and amended from time to time), as supplemented and amended by a fourth supplemental indenture (the “**Securities Indenture**”), which is expected to be entered into on the Issue Date. The Company has filed with the Securities and Exchange Commission (the “**SEC**”) a registration statement on Form F-3 (filed on 2 March 2015, as amended on 25 February 2016), which includes a prospectus dated 25 February 2016 (the “**Base Prospectus**”), and a prospectus supplement dated 24 May 2016 (the “**Prospectus Supplement**”) in connection with the offering of the Securities. Descriptions of the terms of the Securities are qualified in their entirety by the Base Prospectus and the Prospectus Supplement, each of which is available on the SEC’s website at <http://www.sec.gov>.

### **Subscription**

### **Placing agents**

HSBC Securities (USA) Inc. (the “**Sole Structuring Adviser and Book Running Manager**”)

### **HSBC Holdings plc**

*Registered Office and Group Head Office:*

8 Canada Square, London E14 5HQ, United Kingdom

Web: [www.hsbc.com](http://www.hsbc.com)

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

ANZ Securities, Inc.  
BBVA Securities Inc  
BNP Paribas Securities Corp.  
Credit Agricole Securities (USA) Inc.  
Commerz Markets LLC  
Danske Markets Inc.  
ING Financial Markets LLC  
Lloyds Securities Inc.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Morgan Stanley & Co. LLC  
Société Générale  
UniCredit Capital Markets LLC  
Wells Fargo Securities, LLC

(the “**Joint Lead Managers**”)

BMO Capital Markets Corp.  
Credit Suisse Securities (USA) LLC  
Deutsche Bank AG, London Branch  
KBC Securities USA, Inc.  
Mizuho Securities USA Inc.  
Nycredit Bank A/S  
SMBC Nikko Securities America, Inc.  
Standard Chartered Bank

(together with the Sole Structuring Adviser and Book Running Manager and the Joint Lead Managers, the “**Underwriters**”)

## **Securities Terms Agreement**

The Company and the Securities Sole Structuring Adviser and Book-Running Manager (on behalf of the Securities Managers) have entered into a Terms Agreement (which incorporates by reference an Underwriting Agreement – Standard Provisions) dated as of 24 May 2016 in relation to the Securities (the “**Securities Terms Agreement**”). Pursuant to the Securities Terms Agreement and subject to fulfilment of the conditions set out below in the section headed “Conditions precedent to the purchase”, the Securities Managers have agreed severally and not jointly to purchase the respective amounts of Securities set forth in Schedule II of the Securities Terms Agreement, to be issued by the Company on the Issue Date in an aggregate principal amount of US\$2,000,000,000.

### **Conditions precedent to the purchase**

The Securities Managers’ obligations to purchase and pay for the Securities on the Issue Date are subject to the satisfaction of a number of conditions as of the time of payment of the Securities (the “**Closing Time**”), including:

- (a) the absence of any stop order suspending the effectiveness of the Company’s registration statement on Form F-3 (or pending or contemplated proceeding for such purpose);
- (b) the absence of any material adverse change in the financial condition, earnings or general affairs of the Company and its subsidiaries;

- (c) the Company's compliance in all material respects with all agreements, and satisfaction of all conditions, pursuant to the Securities Terms Agreement and the Securities Indentures;
- (d) the accuracy in all material respects of the representations and warranties of the Company contained in the Securities Terms Agreement as of the Closing Time;
- (e) the absence of a downgrade in the rating accorded to the Securities by certain rating agencies;
- (f) the absence of any change in US or UK taxation directly and materially adversely affecting US purchasers of the Securities or the imposition of exchange controls by the United States or the United Kingdom directly and materially affecting the Company's ability to pay interest or dividends in US dollars; and
- (g) the timely filing of certain required disclosure documents with the SEC.

## Subscribers

The Company intends to offer and sell the Securities to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the knowledge of the directors of the Company, information and belief, save as described in the immediately following sentence, each of the placees (and their respective ultimate beneficial owners) will be third parties independent of the Company and are not connected with the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "**Hong Kong Listing Rules**")). Pursuant to a waiver granted by the SEHK from strict compliance with certain requirements of the Hong Kong Listing Rules (which waiver is described in an announcement by the Company dated 20 March 2015 and which is available on the Company's website), the Sole Structuring Adviser and Book Running Manager and HSBC Bank plc may hold Securities from time to time for the purposes of market-making transactions.

## Principal terms of the Securities

The principal terms of the Securities are summarised as follows:

<i>Issuer</i>	The Company
<i>Aggregate principal amount</i>	US\$2,000,000,000
<i>Maturity date</i>	Perpetual
<i>Issue price</i>	100% of the aggregate principal amount
<i>Interest</i>	From (and including) the Issue Date to (but excluding) 1 June 2021, the interest rate on the Securities will be 6.875% 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 5.514%.

The “**Mid-Market Swap Rate**” means the rate for US dollar swaps with a five-year term commencing on the relevant Reset Date which appears on Bloomberg page “ISDA 01” (or such other page as may replace such page on Bloomberg, or such other page 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 at approximately 11:00 am (New York time) on the relevant Reset Determination Date, all as determined by the calculation agent.

If no such rate appears on the relevant screen page for such 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.

*Reset date, reset determination date & reset period*

1 June 2021 and each fifth anniversary date thereafter (each, a “**Reset Date**”).

The “**Reset Determination Dates**” shall be the second business day immediately preceding a Reset Date.

Each period from (and including) a Reset Date to (but excluding) the following Reset Date shall be a “**Reset Period**”.

*Interest payment dates*

Semi-annual on each 1 June and 1 December, commencing 1 December 2016 subject to cancellation or deemed cancellation as described in the Prospectus Supplement.

*Interest cancellation*

The Company 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. In addition, the terms of the Securities restrict the Company from making interest payments in certain circumstances, including where the Company's distributable items or the maximum distributable amount is exceeded or the Company would not be solvent at the time of such interest payment or the Relevant Regulator orders the Company to cancel (in whole or in part) the interest otherwise payable on such interest payment date, in which case the interest payment will be deemed to have been cancelled.

#### *Automatic conversion*

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).

An "**Automatic Conversion**" is the irrevocable and automatic release of all of the Company's obligations under the Securities in consideration of the Company's 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 Securities Indenture.

After a Capital Adequacy Trigger Event, subject to certain conditions, the Company expects the Conversion Shares Depository to deliver to the securityholders on the settlement date (as determined pursuant to the terms of the Securities Indenture) either (i) Conversion Shares or (ii) if the Company elects, in its sole and absolute discretion, that a Conversion Shares Offer be made, the Conversion Shares Offer Consideration.

"**Conversion Shares Depository**" means a financial institution, trust company, depository entity, nominee entity or similar entity to be appointed by the Company on or prior to any date when a function ascribed to the

Conversion Shares Depository in the Securities Indenture, is required to be performed, to perform such functions and which, as a condition of such appointment, such entity will be required to undertake, for the benefit of the securityholders, to hold the Conversion Shares (and any Conversion Shares Offer Consideration) on behalf of such securityholders in one or more segregated accounts, unless otherwise required for the purposes of the Conversion Shares Offer and, in any event, on terms consistent with the Securities Indenture.

*Conversion shares & conversion price*

“**Conversion Shares**” means the Company’s ordinary shares (the “**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 US\$3.9474 and is subject to certain anti-dilution adjustments as described below.

Assuming that there is no adjustment to the Conversion Price, the maximum number of Ordinary Shares that may be issued upon an Automatic Conversion is 506,662,613.

*Ranking of conversion shares:*

The Conversion Shares issued following an Automatic Conversion will in all respects rank *pari passu* with the 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.

*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 the Company, the Relevant Regulator or any agent of the Relevant Regulator appointed for such purpose by the Relevant Regulator.

**“End-point CET1 Ratio”** means, as at 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 US dollars, of all amounts that constitute common equity tier 1 capital of HSBC Holdings together with its subsidiary undertakings (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 the Company on a consolidated basis and without applying the transitional provisions set out in Part Ten of the CRR in accordance with the Relevant Rules applicable to the Company as at 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 PRA (or any successor entity primarily responsible for the Company’s prudential supervision (the **“Relevant Regulator”**)).

**“Risk Weighted Assets”** means, as of any date, the aggregate amount, expressed in US dollars, of the risk weighted assets of the HSBC Group as of such date, as calculated by the Company on a consolidated basis and without applying the transitional provisions set out in Part Ten of the CRR in accordance with the Relevant Rules applicable to the Company as at 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 the Company in accordance with the Relevant Rules.

“**CRD IV**” means, taken together, (i) the CRR, (ii) the CRD and (iii) the Capital Instruments Regulations.

“**CRR**” means regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012, as amended from time to time and any successor regulation or directive.

“**CRD**” means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as amended from time to time, and any successor directive or regulation.

“**Capital Instruments Regulations**” means any regulatory capital rules, regulations or standards which are applicable at any time to the Company (on a solo or consolidated basis and including any implementation thereof or supplement thereto by the UK Prudential Regulation Authority (or any successor entity) (the “**PRA**”) from time to time) and which lay down the requirements to be fulfilled by financial instruments for inclusion in the Company’s regulatory capital (on a solo or consolidated basis) as may be required by (i) the CRR and/or (ii) the CRD, including (for the avoidance of doubt) any delegated acts and implementing acts made by the European Commission (such as regulatory technical standards and implementing technical standards) and European Banking Authority guidelines all as amended from time to time and as implemented in the United Kingdom.

“**Relevant Rules**” means, at any time, the laws, regulations, requirements, guidelines and policies relating to capital adequacy (including, without limitation, as to leverage) then in effect in the United Kingdom including, without limitation to the generality of the foregoing, as may be required by CRD IV or Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to



time (“**BRRD**”), or any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines and policies relating to capital adequacy adopted by the Relevant Regulator from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Company or to the Company and any of the Company’s holding or subsidiary companies or any subsidiary of any such holding company).

*Conversion shares offer*

The Company may elect, at its sole and absolute discretion, that the Conversion Shares Depository make an offer of all or some of the Conversion Shares issued in connection with the Securities to all or some of the Company’s ordinary shareholders at a cash price per Conversion Share equal to the Conversion Shares Offer Price, subject to certain conditions.

The “**Conversion Shares Offer Price**” is fixed initially at £2.70 and is subject to certain anti-dilution adjustments as described below.

*Conversion shares offer consideration*

“**Conversion Shares Offer Consideration**” means in respect of each Security (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 converted from sterling (or any such other currency in which the Ordinary Shares are denominated) into US dollars at the prevailing rate (as calculated pursuant to the Securities Indenture) as of the date that is three Depository Business Days prior to the relevant settlement date as determined by the Conversion Shares Depository (less the *pro rata* share of any foreign exchange transaction costs) (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.

**“Depository Business Day”** means a day on which the Conversion Shares Depository is open for general business.

*Adjustments to the conversion price and the conversion shares offer price*

The Conversion Price and Conversion Shares Offer Price will be adjusted upon the occurrence of the following events: (i) a consolidation, reclassification or subdivision of the Ordinary Shares, (ii) an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, (iii) certain issues of rights for the Ordinary Shares, (iv) an Extraordinary Dividend or (v) a Qualifying Takeover Event, in each case only in the situations and to the extent provided in the Securities Indenture.

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.

*Optional redemption*

The Securities may be redeemed in whole (but not in part) at the option of the Company in its 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), subject to certain conditions described in the Securities Indenture.

*Special event redemption*

The Securities may be redeemed in whole (but not in part) at the option of the Company upon

the occurrence of a Tax Event or a Capital Disqualification Event, subject to certain conditions described in the Securities Indenture. 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).

A “**Tax Event**” will be deemed to have occurred if at any time the Company determines that certain detrimental tax events have occurred (as specified in the Securities Indenture) as a result of a change in, or amendment to, the laws of the United Kingdom or any UK political subdivision or authority thereof or therein that has the power to tax (a “**taxing jurisdiction**”), including any treaty to which the relevant taxing jurisdiction is a party, or a change in an official application or interpretation of those laws or regulations on or after the Issue Date, including a decision of any court or tribunal that becomes effective on or after the Issue Date.

A “**Capital Disqualification Event**” will be deemed to have occurred if the Company determines, 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 (i) their exclusion in whole from the HSBC Group’s regulatory capital (other than as a consequence of an Automatic Conversion); or (ii) reclassification in whole as a form of the HSBC Group’s regulatory capital that is lower than additional tier 1 capital.

*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 the Company 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 the Company’s 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 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 (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; (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 United Kingdom, relating to the transposition of the BRRD, including but not limited to the UK Banking Act 2009 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; and (c) the “relevant UK resolution authority” is any authority with the ability to exercise a UK bail-in power.

*Transfers after suspension date*

On the suspension date (as determined pursuant to the terms of the Securities Indenture and which will be no later than 38 business days after the delivery of the Company’s notice to DTC specifying whether to conduct the Conversion Shares Offer), the Depository Trust Company (“**DTC**”) will block all positions relating to the Securities, which will suspend all clearance and settlement of transactions in the Securities through DTC. As a result, the securityholders will not be able to settle the transfer of any Securities through DTC following the suspension date, and any sale or other transfer of the Securities that a securityholder may have initiated prior to the suspension date that is scheduled to settle after the suspension date will be rejected by DTC and will not be settled through DTC.

*Form & denominations*

The Securities will be issued in the form of one or more global securities registered in the name of the nominee for, and deposited with, DTC.

The denominations of the Securities will be US\$200,000 and integral multiples of US\$1,000 in excess thereof.

*Status*

The Securities will constitute the Company’s 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 the Company’s creditors (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be,

subordinated to the claims of the Company's unsubordinated creditors but not further or otherwise; or (iii) whose claims are, or are expressed to be, junior to the claims of the Company's 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 the Company's existing or future Tier 2 capital instruments will be Senior Creditors.

#### *Listing*

Application is expected to be made to The Irish Stock Exchange plc for the Securities to be admitted to the Official List and to trading on Global Exchange Market.

### **Waiver granted by the SEHK and specific mandate for the issuance of the Securities**

The Company announced on 16 March 2016 that it had applied for, and the SEHK had 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 was permitted to seek (and, if approved, utilise) an authority (the "**2016 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% of the Company's issued share capital.

At the 2016 annual general meeting of the Company, the shareholders of the Company approved the 2016 Mandate allowing the Company to allot Ordinary Shares or rights to subscribe for Ordinary Shares to persons other than existing shareholders in connection with the issue of CCSs up to an aggregate nominal amount of US\$1,970,797,386, equivalent to approximately 20% of the Company's issued ordinary share capital as at 4 March 2016. The 2016 Mandate is effective until the Company's annual general meeting in 2017 or the close of business on 30 June 2017, whichever is the earlier, and is in addition to any general mandate granted by the shareholders at any annual general meeting of the Company to allot Ordinary Shares (for example, in the 2016 annual general meeting, the Company sought, and received from shareholders, a separate authority to allot new Ordinary Shares (or rights to Ordinary Shares) of up to an aggregate nominal amount of US\$6,569,324,618, representing approximately two-thirds of the Company's issued ordinary share capital in total as at 4 March 2016, subject to certain limitations as described in the notice of the 2016 annual general meeting of the Company dated 18 March 2016). For further details, please refer to the notice of the 2016 annual general meeting of the Company dated 18 March 2016 and the announcement of the Company dated 22 April 2016 disclosing the poll results of such meeting.

As of the date of this announcement, no CCS have been issued by the Company pursuant to and out of the 2016 Mandate, and as such the remaining headroom under the 2016 Mandate is US\$1,970,797,386. Assuming that there is no adjustment to the conversion price for the Securities, the aggregate nominal amount of the Ordinary Shares which may be issued upon conversion of all the Securities is US\$253,331,306.50. Accordingly, the Securities are being issued pursuant to and out of the 2016 Mandate and the issuance of the Securities is not subject to approval by the shareholders of the Company.

## **Application for listing**

If a Capital Adequacy Trigger Event occurs, and Ordinary Shares are issued pursuant to the conversion of the Securities, application will be made by the Company to (i) the UK Listing Authority and to the London Stock Exchange for the Ordinary Shares to be admitted to the Official List and to trading respectively, (ii) the SEHK for the listing of, and permission to deal in, the Ordinary Shares, and (iii) the New York, Paris and Bermuda stock exchanges for listing of the Ordinary Shares.

## **Reasons for the issuance of the Securities and use of proceeds**

The Company intends to use the net proceeds from the sale of the Securities for general corporate purposes and to further strengthen the Company's capital base pursuant to requirements under CRD IV.

The aggregate gross proceeds from the issuance of the Securities are expected to be US\$2,000,000,000. The net proceeds from the issuance of the Securities, after the deduction of the commission to the Securities Managers, are expected to be US\$1,980,000,000.

## **Fund raising activities in the past twelve months**

The Company has not carried out any issue of equity securities during the 12 months immediately preceding the date of this announcement, save and except:

- (1) the issue of Ordinary Shares by the Company pursuant to the Scrip Dividend Scheme;
- (2) the Issuances of Ordinary Shares to Employees;
- (3) the issue of the EUR1,000,000,000 6.00% Perpetual Subordinated Contingent Convertible Securities as disclosed in the announcements of the Company dated 28 September 2015 and 29 September 2015. The proceeds for such securities were intended to be used for general corporate purposes and to further strengthen the Company's capital base pursuant to requirements under CRD IV, and they have been applied in full as intended.

For these purposes, "**Scrip Dividend Scheme**" means the scrip alternative scheme of the Company for shareholders of the Company to elect to receive dividends wholly or partly in the form of new fully-paid Ordinary Shares instead of in cash, and "**Issuances of Ordinary Shares to Employees**" means the issuances by the Company of Ordinary Shares to certain of its directors and employees pursuant to or in connection with the grant of share awards, share option schemes, or share saving schemes of the Company.

## **Effects on shareholding structure of the Company**

In the event an Automatic Conversion occurs, assuming full conversion of the Securities at the initial Conversion Price takes place, the Securities will be convertible into approximately 506,662,613 Ordinary Shares representing, as at the date of this announcement, approximately 2.56% of the issued share capital of the Company and approximately 2.49% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares.

The Conversion Shares issued following an Automatic Conversion will in all respects rank *pari passu* with the 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.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the issuance of the Securities (by reference to the information on shareholdings as at 20 May 2016 (being the latest practicable date prior to the release of this announcement) and in each case assuming full conversion of the Securities:

Name of Shareholders	As at 20 May 2016		Assuming the Securities are fully converted into Ordinary Shares at the initial Conversion Price	
	Number of Ordinary Shares	% of total issued Ordinary Shares	Number of Ordinary Shares	% of the enlarged issued Ordinary Shares
JPMorgan Chase & Co. <small>Note 1</small>	1,154,614,011	5.83	1,154,614,011	5.68
BlackRock, Inc. <small>Note 2</small>	1,300,814,137	6.57	1,300,814,137	6.40
Subscribers of the Securities	0	0	506,662,613	2.49
Other public Shareholders	17,357,092,196	87.61	17,357,092,196	85.42
<b>Total Issued Ordinary Shares</b>	<b>19,812,520,344</b>	<b>100.00</b>	<b>20,319,182,957</b>	<b>100.00</b>

**Note:**

1. Based on a disclosure of interest filing made by JPMorgan Chase & Co. on 20 May 2016, as per the long position as at 18 May 2016.
2. Based on a disclosure of interest filing made by BlackRock, Inc. on 19 May 2016, as per the long position as at 17 May 2016.
3. The information in the above table is for illustrative purposes only, and it only shows the potential effects on the shareholding structure of the Company in connection with the Securities (but not any other securities issued or to be issued by the Company).

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**Disclaimers**



This announcement does not constitute an offer of any securities for sale. No action has been taken in any jurisdiction to permit a public offering of the Securities where such action is required other than in the United States. The offer and sale of the Securities may be restricted by law in certain jurisdictions.

The Securities 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 United Kingdom Financial Conduct Authority (the “**FCA**”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from October 1, 2015 (the “**PI Instrument**”). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the “**PI Rules**”) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Securities, must not be sold to retail clients in the EEA and there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite the Securities (or the beneficial interest in the Securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Company and the Underwriters are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Securities from the Company and/or the Underwriters, each prospective investor represents, warrants, agrees with and undertakes to the Company and its affiliates and each of the Underwriters and their affiliates that:

- (i) it is not a retail client in the EEA (as defined in the PI Rules);
- (ii) whether or not subject to the PI Rules, it will not sell or offer the Securities to retail clients in the EEA or communicate (including the distribution of the Prospectus or the Prospectus Supplement) 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 is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale of or offer to sell the Securities (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of COBS 22 by any person and/or (ii) in relation to any sale of or offer to sell the Securities (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Securities (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Securities Directive (2004/39/EC) (“**MiFID**”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
- (iii) 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 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.

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 the Company and/or the Underwriters the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

The distribution of this announcement in certain jurisdictions may be restricted by law. Persons into whose possession this announcement comes are required to inform themselves about and to observe any such restrictions.

**Note to editors:**

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HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,000 offices in 71 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,596bn at 31 March 2016, HSBC is one of the world's largest banking and financial services organisations.

For and on behalf of

**HSBC Holdings plc**

**B J S Mathews**

*Group Company Secretary*

**The Board of Directors of HSBC Holdings plc as at the date of this announcement is:**

Douglas Flint, Stuart Gulliver, Phillip Ameen†, Kathleen Casey†, Laura Cha†, Henri de Castriest†, Lord Evans of Weardale†, Joachim Faber†, Sam Laidlaw†, Irene Lee†, John Lipsky†, Rachel Lomax†, Iain Mackay, Heidi Miller†, Marc Moses, David Nish†, Jonathan Symonds†, Pauline van Der Meer Mohr† and Paul Walsh†.

† Independent non-executive Director