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11 December 2020

(Hong Kong Stock Code: 5)

**HSBC Holdings plc
ISSUANCE OF PERPETUAL SUBORDINATED
CONTINGENT CONVERTIBLE SECURITIES**

The attached announcement is being released to all the stock exchanges on which HSBC Holdings plc is listed.

For and on behalf of
HSBC Holdings plc

Aileen Taylor
Group Company Secretary and Chief Governance Officer

The Board of Directors of HSBC Holdings plc as at the date of this announcement comprises: Mark Tucker*, Noel Quinn, Laura Cha†, Henri de Castries†, James Anthony Forese†, Steven Guggenheimer†, Irene Lee†, José Antonio Meade Kuribreña†, Heidi Miller†, Eileen K Murray†, David Nish†, Ewen Stevenson, Jackson Tai† and Pauline van der Meer Mohr†.

* Non-executive Group Chairman

† Independent non-executive Director

HSBC Holdings plc

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



NOT FOR PUBLICATION OR DISTRIBUTION IN THE UNITED STATES

11 December 2020

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

On 17 December 2020 (the '**Issue Date**'), HSBC Holdings plc (the '**Company**') intends to issue US\$1,500,000,000 4.600% Perpetual Subordinated Contingent Convertible Securities (Callable During Any Optional Redemption Period (as defined below)) (ISIN US404280CN71) (the '**Securities**').

The Securities are expected to be admitted to the Official List and to trading on the Global Exchange Market (the '**GEM**') of The Irish Stock Exchange plc trading as Euronext Dublin ('**Euronext Dublin**') 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 ninth supplemental indenture (the '**Securities Indenture**'), which is expected to be entered into on the Issue Date.

This Hong Kong Regulatory Announcement is not an offer of Securities for sale in the United States. The Securities may not be offered or sold in the United States absent registration or an exemption from registration. The offering of the Securities is being made pursuant to an effective shelf registration statement on Form F-3 filed with the Securities and Exchange Commission ('**SEC**') on 23 February 2018. The offering is being made solely by means of a preliminary prospectus supplement dated 10 December 2020 which has been filed with the SEC, a final prospectus supplement dated 10 December 2020 which will be filed with the SEC (together, the '**Prospectus Supplement**') and the accompanying prospectus dated 23 February 2018 (the '**Base Prospectus**') which have been filed with the SEC. The Prospectus Supplement and the Base Prospectus, as well as other documents the Company has filed or will file with the SEC, contain detailed information about the Company and management, as well as financial statements. You may obtain these documents for free by visiting EDGAR on the SEC website at www.sec.gov or from the Company at the contact details listed at the end of this announcement.

Subscription

Placing agents

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

Citigroup Global Markets Inc.

Credit Suisse Securities (USA) LLC

J.P. Morgan Securities LLC

Morgan Stanley & Co. LLC

ABN AMRO Securities (USA) LLC

Commerz Markets LLC

Credit Agricole Securities (USA) Inc.

Intesa Sanpaolo S.p.A.

Santander Investment Securities Inc.

Scotia Capital (USA) Inc.

Skandinaviska Enskilda Banken AB (publ)

Siebert Williams Shank & Co., LLC

SMBC Nikko Securities America, Inc.

Wells Fargo Securities, LLC

(together with the Sole Structuring Adviser and Book Running Manager, the '**Managers**')

Securities Terms Agreement

The Company and the Sole Structuring Adviser and Book Running Manager (on behalf of the Managers) have entered into a Terms Agreement (which incorporates by reference an Underwriting Agreement – Standard Provisions) dated as of 10 December 2020 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 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\$1,500,000,000.

The Managers have agreed to purchase all of the Securities sold pursuant to the Securities Terms Agreement if any of the Securities are sold. If a Manager defaults, the Securities Terms Agreement provides that the purchase commitments of the non-defaulting Managers may be increased or the Securities Terms Agreement may be terminated.

The Company has agreed to indemnify the several Managers against certain liabilities, including civil liabilities under the Securities Act of 1933, or contribute to payments the Managers may be required to make in respect thereof.

Conditions precedent to the purchase

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The 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 receipt of (i) certain specified opinions of counsel to the Company and counsel to the Managers, (ii) specified certificates of authorized directors or officers of the Company, and (iii) a letter from the auditor to the Company;
- (c) the absence of any material adverse change in the financial condition, earnings or general affairs of the Company and its subsidiaries;
- (d) 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 Indenture;
- (e) 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;
- (f) the absence of a downgrade in the rating accorded to the Securities by certain rating agencies;
- (g) the absence of any change in United States ('**US**') or United Kingdom ('**UK**') taxation directly and materially adversely affecting US purchasers of the Securities or the imposition of exchange controls by the US or the UK directly and materially affecting the Company's ability to pay interest or dividends in US dollars; and
- (h) 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, information and belief of the directors of the Company, 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 10 January 2017 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>Securities offered</i>	US\$1,500,000,000 aggregate principal amount of the Securities.
<i>Maturity date</i>	Perpetual

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<i>Issue price</i>	100% of the aggregate principal amount of the Securities.
<i>Interest</i>	From (and including) the Issue Date to (but excluding) June 17, 2031 the interest rate on the Securities will be 4.600% 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 Reference Rate on the relevant Reset Determination Date and 3.649%.
<i>Reset Date</i>	<p>June 17, 2031 and each fifth anniversary date thereafter (each such date, a 'Reset Date').</p> <p>Each period from (and including) a Reset Date to (but excluding) the following Reset Date will be a 'Reset Period'.</p>
<i>Reset Determination Dates</i>	The second business day immediately preceding a Reset Date (each, a ' Reset Determination Date ').
<i>Reference Rate</i>	<p>The 'Reference Rate' means, with respect to any Reset Period for which such rate applies:</p> <p>(1) the rate per annum (expressed as a decimal) equal to the yield which represents the average for the week immediately prior to the related Reset Determination Date in the most recent H.15, (a) under the caption 'Treasury Constant Maturities' and (b) for the maturity of five years;</p> <p>(2) if such release (or any successor release) is not published during the week immediately prior to the related Reset Determination Date or does not contain such yields, the Reference Treasury Rate for such Reset Period; or</p> <p>(3) if the Reference Rate cannot be determined, for whatever reason, as described under (1) or (2) above, 'Reference Rate' means the rate per annum (expressed as a decimal) equal to the yield on US Treasury securities having a maturity of five years as set forth in the most recent H.15 under the caption 'Treasury constant maturities' for the maturity of five years at 5:00pm (New York City time) on the last available date preceding the related Reset Determination Date on which such rate was set forth in such release (or any successor release).</p> <p>The Reference Rate shall be calculated by the Calculation Agent.</p> <p>'H.15' means the weekly statistical release designated as such and published by the Board of Governors of the United States Federal Reserve System, or any successor or replacement publication that establishes yields on actively traded US Treasury securities adjusted to constant maturity, and 'most recent H.15' means the H.15 published closest in time but prior to 5:00pm (New</p>

York City time) on the applicable Reset Determination Date.

Reference Treasury

'Reference Treasury' means, in respect of a Reset Period, the US Treasury security or securities selected by the Company (following, where practicable, consultation with an investment bank or financial institution determined to be appropriate by the Company (which may be the Calculation Agent)) (i) with a maturity date on or about the last day of such Reset Period and (ii) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in US dollars and having a maturity of five years.

Reference Treasury Rate

'Reference Treasury Rate' means, with respect to any Reset Period, the rate per annum (expressed as a decimal) equal to the yield to maturity (on the relevant day count basis) of the Reference Treasury, assuming a price for the Reference Treasury (expressed as a percentage of its principal amount) equal to the Reference Treasury Price on the relevant Reset Determination Date.

Reference Treasury Price

'Reference Treasury Price' means, with respect to any Reset Determination Date, (i) the arithmetic average of the Reference Treasury Dealer Quotations for such Reset Determination Date, after excluding the highest quotation (or, in the event of more than one highest quotation, one of the highest) and lowest quotation (or, in the event of more than one lowest quotation, one of the lowest), or (ii) if fewer than five but more than one such Reference Treasury Dealer Quotations are received, the arithmetic average of all such quotations, or (iii) if only one such Reference Treasury Dealer Quotation is received, then such quotation; each as quoted in writing to the Calculation Agent by a Reference Treasury Dealer.

Reference Treasury Dealer

'Reference Treasury Dealer' means, with respect to any Reset Determination Date, each of up to five banks selected by the Company (following, where practicable, consultation with an investment bank or financial institution determined to be appropriate by the Company (which may be the Calculation Agent)), or the affiliates of such banks, which are (i) primary US Treasury securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues denominated in US dollars.

Reference Treasury Dealer Quotation

'Reference Treasury Dealer Quotation' means, with respect to each Reference Treasury Dealer and any Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the applicable Reference Treasury, expressed in each case as a percentage of its principal amount, quoted by the applicable Reference Treasury Dealer at 11:00am

(New York City time), on such Reset Determination Date.

Interest payment dates

Interest on the Securities, if any, will be payable in arrear on June 17 and December 17 of each year, beginning on June 17, 2021.

Each payment of interest is subject to cancellation or deemed cancellation as described in the Prospectus Supplement.

Discretionary interest payments

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 (the **'Discretionary Interest Payment Right'**).

Restriction on interest payments

In addition to the Discretionary Interest Payment Right, 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 that is applicable to the Company is exceeded, the Company would not be solvent at the time of such interest payment, or the Relevant Regulator (as defined below) 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.

Optional redemption

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

The Securities may be redeemed in whole (but not in part) at the option of the Company in its sole discretion on any business day during any Optional Redemption Period, 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.

'Optional Redemption Period' means the period commencing on the date falling six calendar months prior to a Reset Date and ending on such Reset Date (both dates inclusive).

Special event redemption

The Securities may be redeemed in whole (but not in part) at the option of the Company in its sole discretion 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 for the Securities will be equal to 100% of their 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 with respect to the Securities 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 UK or any political subdivision or taxing authority thereof or therein that has the power to tax, including any treaty to which the relevant taxing jurisdiction is a party, or a change in an official application or interpretation of those laws on or after the Issue Date, including a decision of any court or tribunal that becomes effective on or after the Issue Date.

A '**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 their (i) exclusion in whole or in part from the regulatory capital of the Company together with its subsidiary undertakings (the '**HSBC Group**') (other than as a consequence of an Automatic Conversion); or (ii) reclassification in whole or in part as a form of the HSBC Group's regulatory capital that is lower than additional tier 1 capital.

Capital Adequacy Trigger Event

A '**Capital Adequacy Trigger Event**' will occur if at any time the non-transitional 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.

'**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 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) CRR and/or (ii) 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 UK.

'**CET1 Capital**' means, as of any date, the sum, expressed in US dollars, of all amounts that constitute common equity tier 1 capital of the HSBC Group as of such date, less any deductions from common equity tier 1 capital required to be made as of such date, in each case as calculated by the Company on a

consolidated basis and without applying the transitional provisions set out in Part Ten of CRR (or in any successor provisions thereto or any equivalent provisions of the Relevant Rules which replace or supersede such provisions) in accordance with the Relevant Rules applicable to the Company as of such date (which calculation will be binding on the trustee, the paying agent and the securityholders). For the purposes of this definition, the term '**common equity tier 1 capital**' will have the meaning assigned to such term in the EU Capital Requirements Legislative Package (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 UK Prudential Regulation Authority (or any successor entity) (the '**PRA**') (or any successor entity primarily responsible for the Company's prudential supervision (the '**Relevant Regulator**').

'**CRD**' means Directive 2013/36/EU on access to credit institutions and the prudential supervision of credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, by Directive (EU) 2019/878).

'**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, as amended, supplemented or replaced from time to time (including, without limitation, by Regulation (EU) 2019/876).

'**EU Capital Requirements Legislative Package**' means, taken together, (i) CRR, (ii) CRD and (iii) the Capital Instruments Regulations.

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

'**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 UK including, without limitation to the generality of the foregoing, as may be required by the EU Capital Requirements Legislative Package or Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, by Directive (2017/2399/EU and by Directive (EU) 2019/879) ('**BRRD**') or any applicable successor legislation or any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and applicable to the Company from time to time 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 its holding or subsidiary companies or any subsidiary of any such holding company).

'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 CRR (or in any successor provisions thereto or any equivalent provisions of the Relevant Rules which replace or supersede such provisions) in accordance with the Relevant Rules applicable to the Company as of such date (which calculation will be binding on the trustee, the paying agent and the securityholders). For the purposes of this definition, the term 'risk weighted assets' means the risk weighted assets or total risk exposure amount, as calculated by the Company in accordance with the Relevant Rules applicable to the Company as of such date.

*Automatic Conversion upon a
Capital Adequacy Trigger Event*

If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur without delay (but no later than one month following the date on which it is determined such Capital Adequacy Trigger Event has occurred).

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 on behalf of the securityholders (or to the relevant recipient in accordance with the terms of the Securities) on the date on which the Automatic Conversion will take place, or has taken place, as applicable (such date, the **'Conversion Date'**), all in accordance with the terms of the Securities and the Securities Indenture, and under no circumstances will such released obligations be reinstated.

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.

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

'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, 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 and Conversion Price

'**Conversion Shares**' means the Company's ordinary shares (the '**Ordinary Shares**') to be issued to the Conversion Shares Depository on behalf of the securityholders (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\$3.5878 per Conversion Share 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 of the Securities is approximately 418,088,166.

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.

Conversion Shares offer

The Company may elect, at its sole and absolute discretion and following the occurrence of an Automatic Conversion, 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 per Conversion Share and is subject to certain anti-dilution adjustments as described below.

On the Issue Date, the Conversion Shares Offer Price and the Conversion Price will be equal (based on an exchange rate of £1.00 = US\$1.3288).

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 pounds sterling (or any such other currency in which the Company's Ordinary Shares are denominated) into US dollars pursuant to the Securities Indenture (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 on behalf of the securityholders (or the relevant recipient in accordance with the terms of the Securities) in order for the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) to conduct the Conversion Shares Offer.

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 (as defined in the Prospectus Supplement) or (v) a Qualifying Takeover Event (as defined in the Prospectus Supplement), 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.

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

Agreement with respect to the exercise of UK bail-in power

experienced in the international capital markets, in each case appointed by the Company at its own expense.

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

For these purposes:

(a) '**Amounts Due**' are the principal amount of, and any accrued and unpaid interest, including any Additional Amounts (as defined in the Prospectus Supplement), on, the Securities. References to such amounts will include amounts that have become due

and payable, but which have not been paid, prior to the exercise of any UK bail-in power by the relevant UK resolution authority.

(b) a **'UK bail-in power'** is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the UK, relating to the transposition of BRRD or otherwise, 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, or any comparable future definition intended to designate entities within the scope of the UK recovery and resolution regime; and

(c) the **'relevant UK resolution authority'** is any authority with the ability to exercise a UK bail-in power.

*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), 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. Moreover, the Securities may cease to be admitted to Euronext Dublin's Official List and to be traded on the GEM after the Suspension Date.

'DTC' means the Depository Trust Company.

Form of Securities

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.

*Trading through DTC,
Clearstream Luxembourg
and Euroclear*

Initial settlement for the 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 S.A. in Luxembourg ('**Clearstream Luxembourg**') customers and/or Euroclear Bank SA/NV ('**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.

Status

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

'**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 will be made to Euronext Dublin for the approval of the Prospectus Supplement as listing particulars. Application will be made to Euronext Dublin for the Securities to be admitted to the Official List and to trading on the Global Exchange Market, which is an exchange-regulated market of Euronext Dublin (the '**GEM**'). The GEM is not a regulated market for the purposes of the Directive 2014/65/EU (as amended, '**MIFID II**').

Calculation Agent

HSBC Bank USA, National Association, or its successor appointed by the Company, pursuant to a calculation agent agreement expected to be entered into on the Issue Date (the '**Calculation Agent**').

Minimum Denominations

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

Business Day

A day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England, and in New York City, New York.

*Governing Law and
Jurisdiction*

The Securities Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions of the Securities Indenture and of the 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 Securities Indenture or the Securities may be instituted in any state or federal court in the Borough of Manhattan in New York City, New York.

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

The Company announced on 9 March 2020 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 '**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 2020 annual general meeting of the Company held on 24 April 2020, the shareholders of the Company approved the Mandate allowing the Company to allot Ordinary Shares or grant rights to subscribe for, or to convert any security into, Ordinary Shares in connection with the issue of CCSs up to an aggregate nominal amount of US\$2,033,193,983, equivalent to approximately 20% of the Company's issued ordinary share capital as at 26 February 2020 without first offering them to existing shareholders. The Mandate is effective until the Company's annual general meeting in 2021 or the close of business on 30 June 2021, 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, at the 2020 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\$6,777,313,276, representing approximately two-thirds of the Company's issued ordinary share capital in total as at 26 February 2020, subject to certain limitations as described in the notice of the 2020 annual general meeting of the Company dated 11 March 2020 (the '**AGM Notice**'). For further details, please refer to the AGM Notice and the announcement of the Company dated 24 April 2020 disclosing the poll results of such meeting.

As of the date of this announcement, the aggregate nominal amount of the Ordinary Shares which may be issued upon conversion of all the CCSs issued by the Company prior to the date of this announcement pursuant to and out of the Mandate (assuming there is no adjustment to the Conversion Price) is US\$0, with a remaining headroom under the Mandate of US\$2,033,193,983. 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\$209,044,083. Accordingly, the Securities are being issued pursuant to and out of the 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 Financial Conduct 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 and Bermuda stock exchanges for listing of the Ordinary Shares.

Reasons for the issuance of the Securities and use of proceeds

Subject to the successful pricing of the offering of the Securities, the Company intends to exercise its right to redeem all of its 1,450,000 6.20% Non-Cumulative Dollar Preference

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Shares, Series A (the '**Preference Shares**') represented by American Depositary Shares, Series A (the '**ADSs**') at a redemption price of US\$1,000 per Preference Share and US\$25 per ADS, plus accrued and unpaid dividends for the then-current dividend period to the redemption date.

The Company intends to use the net proceeds from the sale of the Securities to redeem the Preference Shares and the ADSs, in accordance with the terms and conditions of the Preference Shares and the ADSs. Any of the net proceeds in excess of the redemption amount will be used for general corporate purposes and to further strengthen the Company's capital base pursuant to requirements under the EU Capital Requirements Legislative Package.

The aggregate gross proceeds from the issuance of the Securities are expected to be US\$1,500,000,000. The net proceeds from the issuance of the Securities, after the deduction of the commission to the Managers, are expected to be US\$1,485,000,000.

Fund raising activities in the past 12 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 the Issuances of Ordinary Shares to Employees.

For these purposes, '**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 418,088,166 Ordinary Shares representing, as at 8 December 2020, approximately 2.02% of the issued share capital of the Company and approximately 1.98% 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 8 December 2020 (being the latest practicable date prior to the release of this announcement) and assuming full conversion of the Securities:

	As at 8 December 2020		Assuming the Securities are fully converted into Ordinary Shares at the initial Conversion Price	
Name of Shareholders	Number of Ordinary Shares	% of total issued Ordinary Shares	Number of Ordinary Shares	% of the enlarged issued Ordinary Shares
Ping An Asset Management Co., Ltd. ^{Note 1}	1,655,479,531	8.00	1,655,479,531	7.84
BlackRock, Inc. ^{Note 2}	1,477,023,361	7.14	1,477,023,361	7.00
Subscribers of the Securities	0	0	418,088,166	1.98
Other public Shareholders	17,561,073,664	84.86	17,561,073,664	83.18
Total Issued Ordinary Shares	20,693,576,556	100.00	21,111,664,722	100.00

Note:

1. Based on a disclosure of interest filing made by Ping An Asset Management Co., Ltd on 25 September 2020, as per the long position as at 23 September 2020.
2. Based on a disclosure of interest filing made by BlackRock, Inc. on 1 September 2020, as per the long position as at 27 August 2020.
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). The number of Ordinary Shares shown for holders of the Securities relates only to those Ordinary Shares that are or will be held by them as a result of their holding the Securities.

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Disclaimers

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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.

This announcement does not constitute an offer or an invitation to subscribe or purchase any of the Securities. 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 US. 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 FCA published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which set out certain rules and took effect from 1 October 2015 (the '**PI Rules**'). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No 1286/2014 (as amended, the '**PRIPs Regulation**') on key information documents for packaged retail and insurance-based investment products became directly applicable in all European Economic Area ('**EEA**') member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Rules, the PRIPs Regulation and MiFID II are referred to as the '**Regulations**.'

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

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

The Company and some or all of the Managers are required to comply with the Regulations. By purchasing, or making or accepting an offer to purchase (including by an indication of interest), any Securities (or a beneficial interest in such Securities) from the Company and/or any Manager, each prospective investor represents, warrants, agrees with and undertakes to the Company and its affiliates and each of the Managers and their affiliates that: (1) it is not a retail investor in the EEA or in the UK; (2) it will not (A) sell, offer or recommend the Securities (or any beneficial interest therein) or otherwise make them available to retail investors in the EEA or in the UK or (B) communicate (including the distribution of the Prospectus Supplement or the accompanying Base Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail investor in the EEA or in the UK; and (3) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction, having regard to the target market assessment for the Securities. For these purposes, a 'retail investor' means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the '**IDD**'), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIPs Regulation.

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the '**SFA**'), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are 'prescribed capital markets products' (as defined in the Securities and Futures (Capital Markets

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Products) Regulations 2018 of Singapore) and 'Excluded Investment Products' (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

For and on behalf of
HSBC Holdings plc
Aileen Taylor
Group Company Secretary and Chief Governance Officer

Notes to editors:

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The HSBC Group serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,956bn at 30 September 2020, HSBC is one of the world's largest banking and financial services organisations.

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

Mark Tucker*, Noel Quinn, Laura Cha†, Henri de Castries†, James Anthony Forese†, Steven Guggenheimer†, Irene Lee†, José Antonio Meade Kuribreña†, Heidi Miller†, Eileen K Murray†, David Nish†, Ewen Stevenson, Jackson Tai† and Pauline van der Meer Mohr†.

* Non-executive Group Chairman

† Independent non-executive Director

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