

HSBC HOLDINGS PLC

RULES OF THE HSBC SHARE PLAN 2011

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Rules of the HSBC Share Plan 2011

The purpose of the Plan is to incentivise, reward and retain selected employees in a way which aligns their interests with those of shareholders.

1 Granting Awards

1.1 Grantor

The Grantor of an Award must be:

- 1.1.1 the Company;
- 1.1.2 a Subsidiary; or
- 1.1.3 a trustee of any trust set up for the benefit of Employees.

An Award granted under the Plan, and the terms of that Award, must be approved in advance by the Directors.

1.2 Eligibility

The Grantor may grant an Award to anyone who is an Employee on the Award Date in accordance with any selection criteria that the Directors in their discretion may set. However, unless the Directors consider that special circumstances exist, an Award may not be granted to an Employee who on the Award Date has given or received notice of termination of employment, whether or not such termination is lawful.

1.3 Timing of Awards

Awards may only be granted within 42 days starting on any of the following:

- 1.3.1 the date of shareholder approval;
- 1.3.2 the day after the announcement of the Company's results for any period;
- 1.3.3 any day on which the Directors resolve that exceptional circumstances exist which justify the grant of Awards;
- 1.3.4 any day on which changes to the legislation or regulations affecting share plans are announced, effected or made; or
- 1.3.5 the date of the lifting of Dealing Restrictions which prevented the granting of Awards during any period specified above.

Awards may not be granted at any time after the Expiry Date.

1.4 Terms of Awards

Awards are subject to the rules of the Plan and any Performance Condition. The Award must be granted by deed. The terms of the Award must be determined by the Grantor and be set out in the deed or any other document (which may be in electronic form), including and must state:

- 1.4.1 whether the Award is:
 - (i) a Conditional Award; and/or
 - (ii) an Option;

- 1.4.2 if the Award is a Conditional Award, whether it will be structured as a Nil-Cost Option;
- 1.4.3 the Award Date;
- 1.4.4 the number of Shares subject to the Award or the basis on which the number of Shares subject to the Award will be calculated;
- 1.4.5 any Performance Condition;
- 1.4.6 any other condition specified under rule 1.6 (Other conditions);
- 1.4.7 the date of Vesting, unless specified in a Performance Condition which, in the case of an Option (other than a Nil-Cost Option) must not be less than 12 months after the Award Date;
- 1.4.8 whether the Participant is entitled to receive any Dividend Equivalent;
- 1.4.9 any retention period determined under rule 4.6 (Retention); and
- 1.4.10 the Option Price (if relevant) which, except in the case of a Nil-Cost Option, must not be less than the higher of:
 - (i) the middle market closing quotation of a Share (as derived from the daily official list of the London Stock Exchange) on the Dealing Day immediately before the Award Date; and
 - (ii) the average closing price (as described above) for the five Dealing Days immediately preceding the Award Date.

The Option Price cannot be determined by reference to the price of a Share on a Dealing Day on which a Dealing Restriction applies.

1.5 Performance Conditions

When granting an Award, the Grantor may make its Vesting conditional on the satisfaction of one or more conditions linked to performance. A Performance Condition must be objective and specified at the Award Date. The Grantor, with the consent of the Directors, may waive or change a Performance Condition in accordance with its terms or if anything happens which causes the Grantor reasonably to consider it appropriate to do so.

1.6 Other conditions

The Grantor may impose other conditions when granting an Award. Any condition must be specified at the Award Date and may provide that an Award will lapse if it is not satisfied. The Grantor, with the consent of the Directors, may waive or change a condition imposed under this rule 1.6.

1.7 Award certificates

Each Participant will receive a certificate setting out the terms of the Award as soon as practicable after the Award Date. The certificate may be the deed referred to in rule 1.4 (Terms of Awards) or any other document (which may be in electronic form). If any certificate is lost or damaged, the Company may replace it on such terms as it decides.

1.8 No payment

A Participant is not required to pay for the grant of an Award.

1.9 Administrative errors

If the Grantor grants an Award which is inconsistent with rule 1.2 (Eligibility), it will lapse immediately.

If the Grantor tries to grant an Award which is inconsistent with rule 1.10 (Individual limit for Awards) or 1.11 (Plan limits), the Award will be limited and will take effect from the Award Date on a basis consistent with those rules.

1.10 Individual limit for Awards

1.10.1 Limit by reference to salary

Subject to rule 1.10.2 below, an Award must not be granted to an Employee if it would, at the proposed Award Date, cause the market value of Shares subject to Awards that he has been granted in respect of that financial year under the Plan to exceed 600% of his annual basic salary from Members of the Group. For these purposes, market value may be determined by reference to share price averaged over a period as specified by the Directors.

This limit may be exceeded if the Directors determine that exceptional circumstances make it desirable that Awards should be granted in excess of such limit.

“Basic salary” means gross salary before adjustment to take account of any flexible benefits. Basic salary payable in a currency other than sterling will be converted into sterling by using any rate of exchange which the Directors may reasonably select.

The limit above will not apply to an Award which is granted in respect of a bonus or where an Award is granted as a replacement for an incentive that would otherwise have been provided by the Employee’s previous employer. Instead, the value of such Award must not, at the proposed Award Date, exceed the value of the relevant bonus or replaced incentive.

1.10.2 Limit by reference to share capital

The total number of Shares issued and to be issued upon exercise of Options granted to any one Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue on the date of exercise.

1.11 Plan limits

1.11.1 10%

A Grantor must not grant an Award if the number of Shares committed to be issued under that Award exceeds 10% of the ordinary share capital of the Company in issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or options or awards under any other employee share plan operated by the Company granted in the previous 10 years.

1.11.2 5%

A Grantor must not grant an Award if the number of Shares committed to be issued under that Award exceeds 5% of the ordinary share capital of the Company in

issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or options or awards under any other discretionary employee share plan adopted by the Company granted in the previous 10 years.

1.11.3 Numerical limit

Not more than ●¹ Shares may be issued upon exercise of all Options under the Plan (other than Nil-Cost Options) and options granted under any other employee share plan operated by the Company which is 10% of the Shares in issue on the date of shareholder approval of the Plan.

1.11.4 30% limit on outstanding Options

The number of Shares which may be issued on the exercise of Options under the Plan (other than Nil-Cost Options) and options granted under any other employee share plan operated by the Company outstanding at any one time must not exceed 30% of the Shares in issue from time to time. No further options may be granted under any such plan if it would result in the limit being exceeded.

1.11.5 Scope of Plan limits

Where the right to acquire Shares is released or lapses, the Shares concerned are ignored when calculating the limits in rules 1.11.1 to 1.11.4.

As long as so required by the Association of British Insurers, shares transferred from treasury are counted as part of the ordinary share capital of the Company, and as shares issued by the Company for the purposes of the limits in rules 1.11.1 and 1.11.2.

1.12 Shares in public hands

No Shares will be issued under the Plan if it would cause Listing Rule 6.1.19 (*shares in public hands*) to be breached.

1.13 Grants of Options to directors, chief executive etc

1.13.1 If an Option (other than a Nil-Cost Option) is to be granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, the grant must be approved by independent non-executive directors of the Company (excluding the grantee of the options).

1.13.2 If the grant would result in the Shares issued and to be issued upon exercise of all options (other than Nil-Cost Options) already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million

¹ This figure will be inserted on the date of the Annual General Meeting and will be equal to 10% of the ordinary shares in issue as at the date of the Annual General Meeting calculated by reference to number of shares in issue after the close of business on the day prior to Annual General Meeting.

such further grant of options must be approved by shareholders of the listed issuer in the manner described in Rule 17.04 of the Hong Kong Listing Rules.

1.13.3 The term “associate” carries the same meaning in this rule as in Rule 17.04 of the Hong Kong Listing Rules.

2 Before Vesting

2.1 Rights

A Participant is not entitled to vote, to receive dividends or to have any other rights of a shareholder in respect of Shares subject to an Award until the Shares are issued or transferred to the Participant.

2.2 Transfer

A Participant may not transfer, assign or otherwise dispose of an Award or any rights in respect of it. If he does, whether voluntarily or involuntarily, then it will immediately lapse. This rule 2.2 does not apply:

2.2.1 to the transmission of an Award on the death of a Participant to his personal representatives; or

2.2.2 to the assignment of an Award, with the prior consent of the Directors, subject to any terms and conditions the Directors impose.

2.3 Adjustment of Awards

If there is:

2.3.1 a variation in the equity share capital of the Company, including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital;

2.3.2 a demerger (in whatever form) or exempt distribution by virtue of Section 1075 of the Corporation Tax Act 2010;

2.3.3 a special dividend or distribution, or

2.3.4 any other corporate event which might affect the current or future value of any Award,

the Directors may adjust:

2.3.5 the number or class of Shares or securities subject to the Award and/or

2.3.6 in the case of an Option, the Option Price; and/or

2.3.7 the limit in rule 1.11.3.

The Directors may only adjust an Option (other than a Nil-Cost Option) if:

2.3.8 the proportion of the share capital of the Company represented by the Shares subject to that Option is substantially the same both immediately before and immediately after that adjustment; and

2.3.9 it would not cause a Share to be issued at less than its nominal value; and

2.3.10 except in the case of a capitalisation issue, the Company’s auditors have confirmed to the Directors in writing that the requirements of rules 2.3.8 and 2.3.9 are met,

and may not adjust such an Option solely because of an issue of securities as consideration in a transaction.

2.4 Reduction or cancellation of Awards

2.4.1 The Directors may, at any time before Vesting, decide to:

- (i) reduce the number of Shares or amount of cash included in an Award; and/or
- (ii) amend the Performance Condition, if any, applying to the Award; and/or
- (iii) impose additional conditions to the Award; or
- (iv) cancel the Award.

2.4.2 The circumstances in which the Directors may make this decision include, but without any limitation whatsoever:

- (i) the conduct of the Participant or the team in which he has worked, or the business unit of which he is a part, is considered detrimental or brings the business into disrepute; or
- (ii) evidence comes to light that past performance which was taken into account when deciding relevant bonus pools from which Awards were made was materially worse than was understood; or
- (iii) the financial statements of any Member of the Group or any business unit or division of any Member of the Group are materially restated, corrected or amended; or
- (iv) evidence arises that the Participant or the Participant's business unit or division has engaged in improper or inadequate risk management or has failed to raise concerns in relation to improper or inadequate risk management.

3 Vesting of Awards

3.1 Satisfying conditions

As soon as reasonably practicable after the end of the Performance Period, the Directors will, if necessary, determine whether and to what extent any Performance Condition or other condition imposed under rule 1.6 (Other conditions) has been satisfied or waived and how many Shares Vest for each Award.

3.2 Timing of Vesting – Award not subject to Performance Condition

Where an Award is not subject to a Performance Condition, subject to rules 1.6 (Other conditions), 5 (Vesting in other circumstances – personal events) and 6 (Vesting in other circumstances – corporate events), an Award Vests on the date of Vesting set by the Directors on the grant of the Award or, if on that date a Dealing Restriction applies to that Award, the first date on which it ceases to apply.

3.3 Timing of Vesting – Award subject to Performance Condition

Where an Award is subject to a Performance Condition, subject to rules 1.6 (Other conditions), 5 (Vesting in other circumstances – personal events) and 6 (Vesting in other

circumstances – corporate events), an Award Vests, to the extent determined under rule 3.1 (Satisfying conditions), on the date on which the Directors make their determination under rule 3.1 or, if on that date a Dealing Restriction applies to that Award, the first date on which it ceases to apply.

3.4 Lapse

To the extent that any Performance Condition is not satisfied at the end of the Performance Period, the Award lapses, unless otherwise specified in the Performance Condition. To the extent that any other condition is not satisfied, the Award will lapse if so specified in the terms of that condition. If an Award lapses under the Plan it cannot Vest and a Participant has no rights in respect of it.

4 Consequences of Vesting

4.1 Conditional Award

Within 30 days of a Conditional Award Vesting, the Grantor will arrange (subject to rules 4.4 (Cash and Share alternative), 4.5 (Withholding), 4.6 (Retention) and 8.8 (Consents)) for the issue or transfer (including a transfer from treasury) to or to the order of, the Participant of the number of Shares in respect of which the Award has Vested.

4.2 Options

4.2.1 A Participant may exercise his Option at any time during the Option Period following Vesting by giving notice in the prescribed form to the Grantor or any person nominated by the Grantor and paying the Option Price (if any). The Option will lapse at the end of that period or, if earlier, on the earliest of:

- (i) the date the Participant ceases to be an Employee by reason of resignation or of dismissal for gross misconduct; or
- (ii) six months after an event which gives rise to Vesting under rule 5.2 (Good leavers), 5.6 (Overseas transfer) or 6 (Vesting in other circumstances – corporate events) or, if earlier, the date six weeks after the date on which a notice to acquire Shares under Section 979 of the Companies Act 2006 is first served; or
- (iii) if the Participant dies, the earlier of 12 months from this death and six months after the Participant's personal representatives or local equivalent notify the Company of their appointment.

4.2.2 Subject to rules 4.4 (Cash and Share alternative), 4.5 (Withholding), 4.6 (Retention) and 8.8 (Consents), the Grantor will arrange for Shares to be transferred to or (except in the case of a Nil-Cost Option) issued to, or to the order of, the Participant within 30 days of the date on which the Option is exercised. New Shares will not be issued to satisfy a Nil-Cost Option but Shares may be transferred from treasury or otherwise.

4.2.3 If an Option Vests under more than one provision of the rules of the Plan, the provision resulting in the shortest exercise period will prevail.

4.3 Dividend Equivalent

An Award may include the right to receive a Dividend Equivalent which may be paid in cash or Shares (as determined from time to time by the Grantor with the consent of the Directors). Dividend Equivalents will be paid to any relevant Participant at the time the Vested Award is satisfied. For the avoidance of doubt, the Dividend Equivalent does not include the tax credit.

4.4 Cash and Share alternative

The Grantor may, subject to the approval of the Directors, decide to satisfy an Option or a Conditional Award by paying an equivalent amount in cash (subject to rule 4.5 (Withholding)). For Options, the cash amount must be equal to the amount by which the market value of the Shares in respect of which the Option is exercised exceeds the Option Price. Alternatively, the Grantor may decide to satisfy an Option by procuring the transfer or (except in the case of a Nil-Cost Option) issue of Shares to the value of the cash amount specified above.

The Company may determine that an Award will be satisfied in cash at the Award Date or at any time before satisfaction of the Award, including after Vesting or, in the case of an Option, after exercise.

In respect of Awards which consist of a right to receive a cash amount, the Directors may decide instead to satisfy such Awards (and any Dividend Equivalents) by the delivery of Shares (subject to rule 4.5 (Withholding)). The number of Shares will be calculated by reference to the market value of the Shares on the date of Vesting for Conditional Awards and the date of exercise for Options.

4.5 Withholding

The Company, the Grantor, any employing company or trustee of any employee benefit trust may withhold such amount and make such arrangements as it considers necessary to meet any liability to taxation or social security contributions in respect of Awards. These arrangements may include the sale or reduction in number of any Shares.

4.6 Retention

The Directors may at any time decide that some or all Shares transferred or issued to the Participant following Vesting or exercise shall be retained by, or on behalf of, the Participant on such terms and for such period as the Directors determine.

5 Vesting in other circumstances - personal events

5.1 General rule on leaving employment

5.1.1 Unless rule 5.2 (Good leavers) applies, an Award which has not Vested will lapse on the date the Participant ceases to be an Employee.

5.1.2 The Directors may decide that an Award which has not vested will lapse on the date on which the Participant gives or receives notice of termination of his employment with any Member of the Group (whether or not such termination is lawful) unless the reason for giving or receiving notice is one listed in rule 5.2.1 below.

5.2 “Good leavers”

5.2.1 If a Participant ceases to be an Employee for any of the reasons set out below, his Awards will Vest as described in rules 5.3 (Vesting – Award not subject to Performance Condition) and 5.4 (Vesting – Award subject to Performance Condition) and lapse as to the balance. The reasons are:

- (i) ill-health, injury or disability, as established to the satisfaction of the Directors;
- (ii) retirement with the agreement of the Participant’s employer and approval of the Directors;
- (iii) the Participant’s employing company ceasing to be a Member of the Group;
- (iv) a transfer of the undertaking, or the part of the undertaking, in which the Participant works to a person which is not a Member of the Group;
- (v) redundancy with the agreement of the Participant’s employer and approval of the Directors; and
- (vi) any other reason, if the Directors so decide in any particular case.

5.2.2 The Directors may only exercise the discretion provided for in rule 5.2.1(vi) no later than 30 days after cessation of the relevant Participant’s employment.

5.3 Vesting – Award not subject to Performance Condition

Where rule 5.2 (Good leavers) applies and the Award is not subject to a Performance Condition, the Award does not lapse but will Vest on the date of Vesting set by the Directors on grant subject to the Directors approving that any other condition imposed under Rule 1.6 has been satisfied or waiving the condition. However, the Directors may decide that the Award should Vest either immediately or on any other date.

Subject to rule 2.4, the Award will Vest in full unless the Directors decide that it should be reduced pro rata to reflect the cessation of employment during the Vesting Period.

5.4 Vesting – Award subject to Performance Condition

Where rule 5.2 (Good leavers) applies, the Award does not lapse. Subject to rule 2.4, the extent to which it will Vest is measured in accordance with rule 3.1 (Satisfying conditions) at the end of the Performance Period. However, the Directors may decide in their discretion that the Performance Period in respect of an Award should be treated as ending on the date of the termination of employment, and that the Award should Vest immediately, to the extent that the Performance Condition has been or is likely to be satisfied (as determined by the Directors in the manner specified in the Performance Condition or in such manner as they consider reasonable).

Unless the Directors decide otherwise, the Award should be reduced pro rata to the last completed calendar month, so that it reflects only the proportion of the Performance Period which has elapsed before the termination of employment.

5.5 Death

If a Participant dies, his Awards will Vest in full on the date of death.

The Grantor will only arrange for Shares to be issued or transferred or cash to be given to the personal representatives of a deceased Participant.

5.6 Overseas transfer

If a Participant remains an Employee but is transferred to work in another country or changes tax residence status and, as a result he would:

5.6.1 suffer a tax disadvantage in relation to his Awards (this being shown to the satisfaction of the Directors); or

5.6.2 become subject to restrictions on his ability to exercise his Awards or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise or Vesting because of the security laws or exchange control laws of the country to which he is transferred,

then the Directors may decide that the Awards will Vest on a date they choose before or after the transfer takes effect. The Award will Vest to the extent they permit and may lapse as to the balance.

5.7 Termination Agreements

Where rule 5.2 (Good leavers) applies and the Participant has entered into a Termination Agreement in connection with the cessation of his employment, subject to rule 2.4, Awards will not Vest until the Participant has complied with, or is released from his obligations under, that Termination Agreement if the Directors so determine.

5.8 Meaning of “ceasing to be an Employee”

For the purposes of rules 4 (Consequences of Vesting) and 5 (Vesting in other circumstances – personal events), a Participant will not be treated as ceasing to be an Employee until he is no longer an Employee of any Member of the Group or if he recommences employment with a Member of the Group within seven days.

6 Vesting in other circumstances - corporate events

6.1 Time of Vesting

6.1.1 In the event of a Change of Control, an Award Vests subject to rules 6.2 and 6.3 (Exchange). The Award lapses as to the balance except to the extent exchanged under rule 6.3 (Exchange).

6.1.2 If the Company is, or may be, affected by any demerger, delisting, distribution (other than an ordinary dividend) or other transaction, which, in the opinion of the Directors, might affect the current or future value of any Award, the Directors may allow an Award to Vest. The Award will Vest to the extent specified in rule 6.2 (Extent of Vesting) and will lapse as to the balance unless exchanged under rule 6.3 (Exchange) or the Directors decide that the balance should continue in the normal course. The Directors may impose other conditions on Vesting.

6.2 Extent of Vesting

Where an Award vests under rule 6.1 (Time of Vesting):

- 6.2.1 if the Award is not subject to any Performance Condition, the Award will Vest in full on Change of Control unless the Directors determine that the Award should be reduced pro rata to reflect the acceleration of Vesting; or
- 6.2.2 if the Award is subject to a Performance Condition, the Directors will determine the extent to which any Performance Condition has been satisfied and the proportion of the Award which will Vest. In addition, the Directors may determine that the Award is reduced pro rata to reflect the acceleration of Vesting.

6.3 Exchange

An Award will not Vest under rule 6.1 (Time of Vesting) but will be exchanged on the terms set out in rule 6.6 (Timing of exchange) to the extent that:

- 6.3.1 an offer to exchange the Award is made and accepted by a Participant; or
- 6.3.2 the Directors, with the consent of the Acquiring Company, decide before Change of Control that the Award will be automatically exchanged.

6.4 Directors

In this rule 6, “**Directors**” means those people who were members of the remuneration committee of the Company immediately before the Change of Control.

6.5 Timing of exchange

Where an Award is to be exchanged under rule 6.3 (Exchange), the exchange is effective immediately following the relevant event.

6.6 Exchange terms

Where a Participant is granted a new award in exchange for an existing Award, the new Award:

- 6.6.1 must confer a right to acquire shares in the Acquiring Company or another body corporate determined by the Acquiring Company;
- 6.6.2 must be equivalent to the existing Award, subject to rule 6.6.4;
- 6.6.3 is treated as having been acquired at the same time as the existing Award and, subject to rule 6.6.4, Vests in the same manner and at the same time;
- 6.6.4 must:
 - (i) where an Award is subject to a Performance Condition, be subject to a Performance Condition which is, so far as possible, equivalent to any Performance Condition applying to the existing Award; or
 - (ii) where an Award is subject to a Performance Condition, not be subject to any Performance Condition but be in respect of the number of shares which is equivalent to the number of Shares included in the existing Award which would have Vested under rule 6.2.2 and Vest at the end of the original Performance Period; or
 - (iii) be subject to such other terms as the Directors consider appropriate in all the circumstances; and

6.6.5 is governed by the Plan, excluding rule 7.2 (Shareholder approval), as if references to Shares were references to the shares over which the new award is granted and references to the Company were references to the Acquiring Company or the body corporate determined under rule 6.6.1 above.

7 Changing the Plan and termination

7.1 Directors' powers

Except as described in the rest of this rule 7, the Directors may at any time change the Plan in any way.

7.2 Shareholder approval

7.2.1 Except as described in rule 7.2.2, the Company in general meeting must approve in advance by ordinary resolution any proposed change to the Plan to the advantage of present or future Participants, which relates to:

- (i) the Participants;
- (ii) the limits on the number of Shares which may be issued under the Plan;
- (iii) the individual limit for each Participant under the Plan;
- (iv) the basis for determining a Participant's entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital; or
- (v) the terms of this rule 7.2.1.

7.2.2 Rule 7.2.1 does not require the approval of the Company in general meeting for minor changes:

- (i) to benefit the administration of the Plan;
- (ii) to comply with or take account of the provisions of any proposed or existing legislation;
- (iii) to take account of any changes to legislation; or
- (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any Subsidiary or any present or future Participant.

7.2.3 Rule 7.2.1 does not require the approval of the Company in general meeting to a change to establish further plans (by way of schedules to the rules or otherwise) based on the rules, but modified to take account of local tax, exchange control or securities law in non-UK territories. However, any Shares made available under such plans are treated as counting against any limits on individual or overall participation in the Plan under rules 1.10 (Individual limit for Awards), 1.11 (Plan limits).

7.2.4 Unless the Hong Kong Stock Exchange agrees otherwise, the Company in general meeting (by ordinary resolution) must approve any proposed change to the Plan which affects Options (other than Nil-Cost Options) and:

- (i) which relates to the matters set out in Rule 17.03 of the Hong Kong Listing Rules and is to the advantage of Participants; or
- (ii) which is of a material nature; or
- (iii) which relates to the terms of subsisting Options,

except where the alterations take effect automatically under the terms of the Plan. The Plan, if changed as proposed must still comply with the relevant requirements of chapter 17 of the Hong Kong Listing Rules.

7.3 Participant's consent

Any change to the Plan which would be to the material disadvantage of any existing rights of a Participant may only be made if the majority of those Participants affected consent to the change. This will not apply to Rule 7.2.2.

7.4 Notice

The Company must provide to Participants holding Options (other than Nil-Cost Options) all details relating to changes in the terms of those Options immediately upon such changes taking effect.

The Directors are not required to give Participants notice of any other changes.

7.5 Termination

The Plan will terminate on the Expiry Date, but the Directors may terminate the Plan at any time before that date. The termination of the Plan will not affect existing Awards.

8 General

8.1 Terms of employment

- 8.1.1 This rule 8.1 applies during an Employee's employment and after the termination of an Employee's employment, whether or not the termination is lawful.
- 8.1.2 Nothing in the rules or the operation of the Plan forms part of the contract of employment of an Employee. The rights and obligations arising from the employment relationship between the Employee and his employer are separate from, and are not affected by, the Plan. Participation in the Plan does not create any right to, or expectation of, continued employment.
- 8.1.3 No Employee has a right to participate in the Plan. Participation in the Plan or the grant of Awards on a particular basis in any year does not create any right to or expectation of participation in the Plan or the grant of Awards on the same basis, or at all, in any future year.
- 8.1.4 The terms of the Plan do not entitle the Employee to the exercise of any discretion in his favour.
- 8.1.5 The Employee will have no claim or right of action in respect of any decision, omission or discretion, which may operate to the disadvantage of the Employee even if it is unreasonable, irrational or might otherwise be regarded as being in breach of the duty of trust and confidence (and/or any other implied duty) between the Employee and his employer.

8.1.6 No Employee has any right to compensation for any loss in relation to the Plan, including any loss in relation to:

- (i) any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
- (ii) any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; or
- (iii) the operation, suspension, termination or amendment of the Plan.

8.2 Directors' decisions final and binding

The decision of the Directors on the interpretation of the Plan or in any dispute relating to an Award or matter relating to the Plan will be final and conclusive.

8.3 Third party rights

Nothing in this Plan confers any benefit, right or expectation on a person who is not a Participant. No such third party has any rights under the Contracts (Rights of Third Parties) Act 1999 or any equivalent local legislation to enforce any term of this Plan. This does not affect any other right or remedy of a third party which may exist.

8.4 Documents sent to shareholders

The Company is not required to send to Participants copies of any documents or notices normally sent to the holders of its Shares.

8.5 Costs

The Company will pay the costs of introducing and administering the Plan. The Company may ask a Participant's employer to bear the costs in respect of an Award to that Participant.

8.6 Employee trust

The Company and any Subsidiary may provide money to the trustee of any trust or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by Section 682 of the Companies Act 2006 or any applicable law.

8.7 Data protection

By participating in the Plan the Participant consents to the holding and processing of personal information provided by the Participant to any Member of the Group, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to:

- 8.7.1** administering and maintaining Participant records;
- 8.7.2** providing information to Members of the Group, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan;
- 8.7.3** providing information to future purchasers or merger partners of the Company, the Participant's employing company, or the business in which the Participant works; and

8.7.4 transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

The Participant is entitled, on payment of a fee, to a copy of the personal information held about him or her, and if anything is inaccurate the participant has the right to have it corrected.

8.8 Consents

All allotments, issues and transfers of Shares will be subject to any necessary consents under any relevant enactments or regulations for the time being in force in the United Kingdom or elsewhere. The Participant is responsible for complying with any requirements he needs to fulfil in order to obtain or avoid the necessity for any such consent.

8.9 Share rights

Shares issued to satisfy Awards under the Plan will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment. Where Shares are transferred to a Participant, including a transfer out of treasury, the Participant will be entitled to all rights attaching to the Shares by reference to a record date on or after the transfer date. The Participant will not be entitled to rights before that date.

Subject to the other rules of the Plan, Shares acquired under the Plan will carry the same voting, dividend, transfer and other rights as other Shares in issue, including those arising on a liquidation of the Company.

8.10 Listing

If and so long as the Shares are listed and traded on a public market, the Company will apply for listing of any Shares issued under the Plan as soon as practicable.

8.11 Notices

8.11.1 Any information or notice to a person who is or will be eligible to be a Participant under or in connection with the Plan may be posted, or sent by electronic means, in such manner to such address as the Company considers appropriate, including publication on any intranet.

8.11.2 Any information or notice to the Company or another duly appointed agent under or in connection with the Plan may be sent by post or transmitted to it at its registered office or such other place, and by such other means, as the Directors or a duly appointed agent may decide and notify Participants.

8.11.3 Notices sent by post will be deemed to have been given on the second day after the date of posting. However, notices sent by or to a Participant who is working overseas will be deemed to have been given on the seventh day after the date of posting. Notices sent by electronic means, in the absence of evidence to the contrary, will be deemed to have been received on the day after sending.

8.12 Governing law and jurisdiction

English law governs the Plan and all Awards and their construction. The English courts have non-exclusive jurisdiction in respect of disputes arising under or in connection with the Plan or any Award.

9 Definitions

In these rules:

“**Acquiring Company**” means a person who has or obtains control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company;

“**Award**” means a Conditional Award or an Option;

“**Award Date**” means the date on which an Award is granted by deed under rule 1.4 (Terms of Award);

“**Change of Control**” means:

- (i) when a general offer to acquire Shares made by a person (or a group of persons acting in concert) becomes wholly unconditional; or
- (ii) when, under Section 895 of the Companies Act 2006 or equivalent procedure under local legislation, a court sanctions a compromise or arrangement in connection with the acquisition of Shares; and
- (iii) a person (or a group of persons acting in concert) obtaining control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company in any other way;

“**Company**” means HSBC Holdings plc;

“**Conditional Award**” means a conditional right to acquire Shares granted under the Plan;

“**Dealing Day**” means a day on which the applicable stock exchange on which Shares are traded is open for business;

“**Dealing Restrictions**” means restrictions imposed by statute or by the Company’s Code for dealing in Shares, as varied from time to time;

“**Directors**” means, subject to rule 6.4 (Directors), the board of directors of the Company or the remuneration committee of the board of directors or any other duly authorised person or group of persons;

“**Dividend Equivalent**” means an amount equal to the ordinary dividends payable on the number of Vested Shares over the Vesting Period, subject to rule 4.5 (Withholding);

“**Employee**” means any employee of a Member of the Group (including an executive director of the Company);

“**Expiry Date**” means [*insert date*] 2021, the tenth anniversary of shareholder approval of the Plan;

“**Grantor**” means, in respect of an Award, the entity which grants that Award under the Plan;

“**Hong Kong Listing Rules**” means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time;

“London Stock Exchange” means London Stock Exchange plc;

“Member of the Group” means:

- (i) the Company;
- (ii) its Subsidiaries from time to time; and
- (iii) any other company which is associated with the Company and is so designated by the Directors¹;

“Nil-Cost Option” means a Conditional Award which is structured as an Option, the Option Price for which is zero or a nominal amount;

“Option” means a conditional right to acquire Shares granted under the Plan on payment of any Option Price and, except where otherwise stated, includes a Nil-Cost Option;

“Option Period” means a period starting on the grant of an Option and ending at the end of the day before the tenth anniversary of the grant, or such shorter period as may be specified under rule 4.2 (Options) on the grant of an Option;

“Option Price” means the amount payable on the exercise of an Option, as specified under rule 1.4.10 or, in the case of a Nil-Cost Option, zero or a nominal amount set by the Directors on grant;

“Participant” means a person holding an Award or his personal representatives who have produced a grant of representation;

“Performance Condition” means any performance condition imposed under rule 1.5 (Performance Conditions);

“Performance Period” means the period in respect of which a Performance Condition is to be satisfied;

“Plan” means these rules known as “The HSBC Share Plan 2011”, as changed from time to time;

“Shares” means fully paid ordinary shares in the capital of the Company;

“Subsidiary” means a company which is a subsidiary of the Company within the meaning of Section 1159 of the Companies Act 2006;

“Termination Agreement” means an agreement entered into between a Participant and a Member of the Group which sets out any terms and conditions relating to the cessation of the Participant’s employment;

“Vesting” in relation to an Option, means an Option becoming exercisable and, in relation to a Conditional Award, means a Participant becoming entitled to have the Shares transferred to him subject to the Plan;

“Vesting Period” means the period from the Award Date to the date of Vesting of an Award.

Schedule 1 Forfeitable Shares

1 Rules

The rules of the Plan will apply to grants made under this Schedule 1, as amended by the terms of this Schedule 1.

2 Terms of Awards

The Grantor may determine that Awards should be granted under this Schedule 1 in the form of Forfeitable Shares. If so, the deed referred to in rule 1.4 (Terms of Awards) of the Plan must state that the Award is in the form of Forfeitable Shares.

3 Forfeitable Share Agreement

The Participant must enter into an agreement with the Grantor, that to the extent that the Award lapses under the Plan, the Shares are forfeited and he will immediately transfer his interest in the Shares, for no or nominal consideration, to any person (which may include the Company, where permitted) specified by the Grantor.

4 Transfer of Forfeitable Shares

On or after the grant of an Award of Forfeitable Shares, the Grantor will procure that the relevant number of Shares are issued or transferred, including a transfer out of treasury or otherwise, to the Participant or to another person to be held for the benefit of the Participant under the terms of the Plan.

5 Rights

Rule 2.1 (Rights) of the Plan will be replaced with the following paragraph:

“Except to the extent specified in the Forfeitable Share Agreement, a Participant will have all rights of a shareholder in respect of Forfeitable Shares until the Award lapses.”

6 Documents and elections

6.1 The Participant must sign any documentation, including a power of attorney or blank stock transfer form, requested by the Grantor. If he does not do so within a period specified by the Grantor, the Award will lapse at the end of that period. The Grantor may retain the share certificates relating to any Forfeitable Shares.

6.2 The Participant must enter into any elections required by the Grantor, including elections under Part 7 of the Income Tax (Earnings and Pensions) Act 2003 and elections to transfer any liability, or agreements to pay, social security contributions. If he does not do so within a period specified by the Grantor, the Award will lapse at the end of that period.

7 Adjustment of Awards

7.1.1 Subject to the Forfeitable Share Agreement, a Participant will have the same rights as any other shareholders in respect of Forfeitable Shares where there is a variation or other event of the sort described in rule 2.3 (Adjustment of Awards) of the Plan. Any shares, securities or rights allotted to a Participant as a result of such an event will be:

- (i) treated as if they were awarded to the Participant under the Plan in the same way and at the same time as the Forfeitable Shares in respect of which the rights were conferred; and
- (ii) subject to the rules of the Plan, as modified by this Schedule 1, and the terms of the Forfeitable Share Agreement.

8 Lapse of Forfeitable Shares

On the lapse of an Award of Forfeitable Shares, a Participant must transfer his interest in the Forfeitable Shares in accordance with the Forfeitable Share Agreement.

9 Vesting of Forfeitable Shares

To the extent it has Vested, an Award of Forfeitable Shares will not lapse under the Plan and the restrictions referred to in paragraph 3 of this Schedule 1 and contained in the Forfeitable Share Agreement will cease to have effect. Any tax and social security contributions payable on Vesting will be dealt with in accordance with rule 4.5 (Withholding) of the Plan.

10 Cash and Share alternative

Rule 4.4 (Cash and Share alternative) of the Plan will not apply.

11 Definitions

“**Award**” means Forfeitable Shares;

“**Forfeitable Shares**” means Shares held in the name of, or for the benefit of, a Participant subject to the Forfeitable Share Agreement;

“**Forfeitable Share Agreement**” means the agreement referred to in paragraph 3 of this Schedule 1; and

“**Vesting**” means the restrictions set out in the Forfeitable Share Agreement between the Participant and the Grantor, as referred to in paragraph 3 of this Schedule 1, ceasing to have effect.

Schedule 2

Deferred Cash Awards

1 Rules

The rules of the Plan will apply to grants made under this Schedule 2, as amended by the terms of this Schedule 2.

Under this Schedule 2, the Grantor may decide to grant a deferred cash bonus (“**Deferred Cash Award**”) to an individual in respect of all or part of any bonus (the “**Participant**”).

Rules 1.2 (Eligibility), 1.3 (Timing of Awards), 1.4 (Terms of Awards), 1.10 (Individual limit for Awards), 1.11 (Plan limits), 1.12 (Shares in public hands), 2.1 (Rights), 2.3 (Adjustment of Awards), 4.1 (Conditional Award), 4.2 (Options), 4.3 (Dividend Equivalent), 4.4 (Cash and Share alternative), 5.6 (Overseas transfer), 8.8 (Consents), 8.9 (Share rights) and 8.10 (Listing) do not apply to Deferred Cash Awards granted under this Schedule 2.

2 Terms of Awards

2.1 Deferred Cash Awards may be made at any time.

2.2 Deferred Cash Awards are subject to the rules of the Plan as modified by this Schedule 2 and any Performance Condition. The Deferred Cash Award must be granted by deed. The terms of the Deferred Cash Award must be determined by the Grantor and approved by the Directors. The terms must be set out in the deed or any other document (which may be in electronic form), and must include:

- (i) the Award Date;
- (ii) the amount subject to the Deferred Cash Award;
- (iii) any entitlement to notional interest;
- (iv) any Performance Condition;
- (v) the date of Vesting; and
- (vi) any retention period determined under rule 4.6 (Retention).

3 Vesting of Deferred Cash Awards

As soon as reasonably practicable after, and in any event within 60 days of, the date of Vesting, the Directors shall arrange for the payment to, or to the order of, the Participant of the amount subject to the Vested Deferred Cash Award, subject to rule 4.5 (Withholding).

4 Rights

As a result only of their participation in the Plan under this Schedule 2, Participants will have no rights as shareholders of the Company and no rights to acquire Shares. They will have no right to vote for the election of the directors of the Company or on any other matters submitted for shareholder approval, to inspect and make copies of the books and records of the Company or to enjoy the other rights and privileges of shareholders of the Company.

Schedule 3 US Operations

1 Rules

The rules of the Plan will apply to grants made under this Schedule 3, as amended by the terms of this Schedule 3.

This Schedule 3 applies to any Participant who, on the Award Date, is a US Participant and who is granted a Conditional Award (which is not a Nil-Cost Option) and/or Deferred Cash Award under the Plan and any schedule to the Plan (the “**US Award**”).

In the discretion of the Directors, this Schedule 3 may apply to US Awards granted to any Participant who becomes, or who the Directors reasonably expect to become, a US Participant.

2 Settlement

US Awards subject to this Schedule 3 may only be satisfied with newly issued Shares, Shares transferred from treasury or Shares and/or cash from a trust which satisfies the following characteristics:

- (i) the assets of the trust shall be subject to the claims of the general creditors of the Company;
- (ii) if at any time the trustee of the trust has determined that the Company is insolvent, the trustee shall discontinue payments to the US Participants or their beneficiaries and shall hold the assets of the trust for the benefit of general creditors of the Company;
- (iii) the Directors shall have the duty to inform the trustee in writing of the Company’s insolvency. If a person claiming to be a creditor of the Company alleges in writing to the trustee that the Company has become insolvent, the trustee shall determine whether the Company is insolvent and, pending such determination, the trustee shall discontinue payment of benefits to the Participants or their beneficiaries; and
- (iv) the trust and the assets in such trust shall at all times be located in the United States and no assets shall be placed in a trust to the extent such set aside would violate Section 409A(b)(2) (relating to the employer’s financial health) or Section 409A(b)(3) (relating to treatment of employer’s defined benefit plan during restricted period) of the Code.

3 Distribution

Until the delivery of such Shares or cash, the rights of a US Participant with respect to a US Award shall only be those of a general unsecured creditor of the Company.

The Shares or cash underlying any US Award granted to a US Participant shall be distributed to that US Participant only on one or more of the following events:

- (i) the death of the US Participant;
- (ii) a fixed date or dates as specified by the Directors;
- (iii) a Change of Control, provided that such Change of Control is also a change of control as defined in Section 409A of the Code; and

- (iv) any other event permitted under section 409A of the Code as specified by the Directors. To the extent termination of employment is a payment event for a US Award granted under this Schedule 3, such termination of employment shall only be a payment event if it is a “separation from service” (within the meaning of Treasury Regulation § 1.409A-1(h)) and any US Participant who is a “specified employee” (within the meaning of Treasury Regulation § 1.409A-1(i)) shall not receive his Shares until the first day of the seventh month following his “separation from service.”

The Directors shall inform the Participant of the applicable distribution events no later than on the Award Date or, if earlier, the date that any US Participant obtains a legally binding right, whether or not contingent, to a US Award. No provision of this Schedule 3 or the Plan that accelerates or extends the period for making a distribution will apply to any US Award except to the extent that such extension complies with Section 409A of the Code.

For the avoidance of doubt, notwithstanding the foregoing, the Directors reserve the right to grant US Awards that meet the “short-term deferral” exception (within the meaning of Treasury Regulation § 1.409A-1(b)(4)) from section 409A of the Code.

4 Becoming a US Participant

If during the term of a US Award made to a person who is not a US Participant, that person becomes a US Participant with respect to the US Award and such US Award becomes subject to Section 409A of the Code, the Company reserves the absolute right to amend the terms of the US Award in any way to comply with Section 409A of the Code.

5 Taxes

All taxes and employee social security contributions of any kind (including penalties and interest) relating to the US Awards will be borne by the Participant. The Company or another Member of the Group may withhold from any payment (including, to the extent permitted by law, any salary, bonus, commissions or any payment of any kind otherwise due to the Participant) or delivery of Shares any tax or social security contributions that are required to be withheld under any applicable law, rule or regulation.

6 Directors’ decisions final and binding

The decision of the Directors on the interpretation of this Schedule 3 or in any dispute relating to a US Award or matter relating to the Plan will be final and conclusive.

Neither the Company, the Grantor nor any Director shall be liable for:

- (i) any action or determination made with respect to the Plan or this Schedule 3; or
- (ii) any action or determination with respect to a US Award or US Awards that results in such US Awards (individually or entirely) becoming subject to taxation under section 409A of the Code.

7 Definitions

The words and expressions used in this Schedule 3 which have capital letters have the same meaning which they have in the rules of the Plan to which this Schedule 3 is attached. In addition, the following definitions apply specifically to this Schedule 3:

“Code” means the US Internal Revenue Code 1986, as amended;

“US Participant” means a person who is subject to US Tax; and

“US Tax” means income taxation under the laws of the United States of America.

Schedule 4

Group Performance Share Plan

1 Rules

The rules of the Plan will apply to grants made under this Schedule 4, the Group Performance Share Plan, as amended below.

2 Terms of Awards

Awards made under this Schedule 4 will only be made as Conditional Awards or Nil-Cost Options. Awards under this Schedule 4:

- (iii) will Vest on the fifth anniversary of the Award Date or on such other date as determined by the Directors;
- (i) may be subject to a Performance Condition in which case the Directors shall determine at grant whether in the case of the Award vesting under rule 6 (Corporate events) that the Performance Condition shall be deemed to have been satisfied for the purpose of rule 6.2.2; and
- (ii) will be subject to retention the terms of which are set out in paragraph 4 below.

3 Vesting in other circumstances – personal events

3.1 Where rule 5.2.1(i), (iii), (iv) or (v) applies in relation to an Award made under this Schedule 4, then, subject to the approval of the Directors, the Award does not lapse but will Vest on the date(s) of Vesting set by the Directors on grant. Paragraph 4 below will not apply on Vesting.

3.2 Where rule 5.2.1 (ii) (retirement) or (vi) (other circumstances) applies in relation to an Award made under this Schedule 4, then subject to the approval of the Directors the Award does not lapse but will Vest on the date(s) of Vesting set by the Directors on grant provided that

3.2.1 the Participant can show to the satisfaction of the Directors that he is not, and has no current or future intention to be, employed by any competitor financial services firm as specified by the Directors from time to time; and

3.2.2 the Directors are not aware of any evidence to the contrary before the Award Vests.

If both these conditions are met Paragraph 4 will not apply on Vesting.

If the Participant does not provide satisfactory evidence in respect of his employment or, before the Award is due to Vest, the Directors become aware of the Participant's employment by a competitor financial services firm, the Award will lapse.

3.3 Rules 5.3 (Vesting – Award not subject to Performance Condition) and 5.4 (Vesting – Award subject to Performance Condition) are amended accordingly.

4 Retention

4.1 Where an Award made under this Schedule 4 has Vested, subject to rule 4.5 (Withholding), any resulting Shares issued or transferred to the Participant must be retained by or on behalf of the Participant, as determined by the Directors, for the duration of the Participant's employment with any Member of the Group, unless the Directors in exceptional circumstances decide otherwise.

4.2 Where Shares are being retained pursuant to paragraph 4.1 above and the Participant ceases to be an Employee by reason of:

4.2.1 rule 5.2.1 (ii) and the Directors are satisfied that the Participant has no current or future intention to be employed by any competitor financial services firm; or

4.2.2 rule 5.2.1 (i), (iii), (iv), (v) or (vi),

then, subject to the approval of the Directors, Shares will cease to be subject to the retention requirement in paragraph 4.1 above and will be released to the Participant within 30 days of the date of cessation.

4.3 Where Shares are being retained pursuant to paragraph 4.1 above and the Participant ceases to be an Employee in any circumstances not covered by paragraph 4.2 above, Shares subject to the retention requirement in paragraph 4.1 above will be released to the Participant in three equal tranches on the first, second and third anniversaries of cessation of employment.

4.4 Rules 1.4.9 and 4.6 (Retention) of the Plan are amended accordingly.

4.5 Any dividends received on the retained Shares during the retention period will not be subject to the retention requirements of this paragraph 4.