HSBC Holdings plc

Perpetual Subordinated Contingent Convertible Securities

Presentation to Institutional Investors

September 2014

HSBC

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Contents

The HSBC Group

Strategy

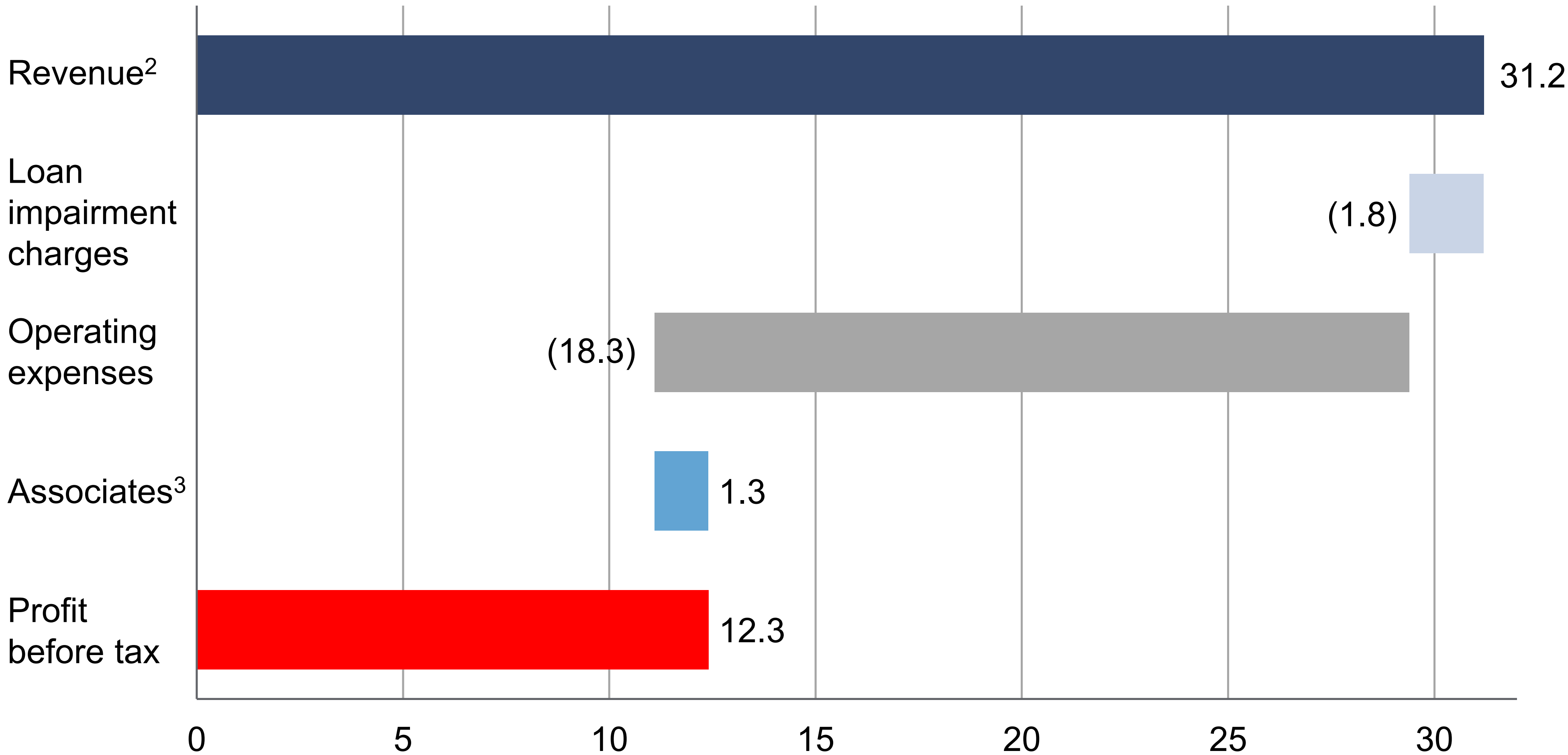
An unrivalled global position and platform for growth

2011-13: Leaner bank and platform for growth	• Clear strategic direction: identification of home and priority growth markets; 63 disposals announced • Leaner organisation managed by 4 Global Businesses and 11 Global Functions • Introduced Global Standards and progressed de-risking of business
HSBC today	• A leading international bank with a presence in 74 countries and territories • Balanced global business model with universal banks in key global geographies • Strong capital position and resilient results in 1H14
Unrivalled global position	• World economy shifting to Asia, Latin America, and MENA • Unique international franchise to support economic development and facilitate global trade and capital flows • Difficult to replicate global position
2014-16 Strategic priorities	• Grow business and dividends capitalising on our global platform • Implement global standards and increase quality of earnings • Further streamline the organisation to fund growth and investments

Strong profit generation
1H14

Consolidated statement of income[1]

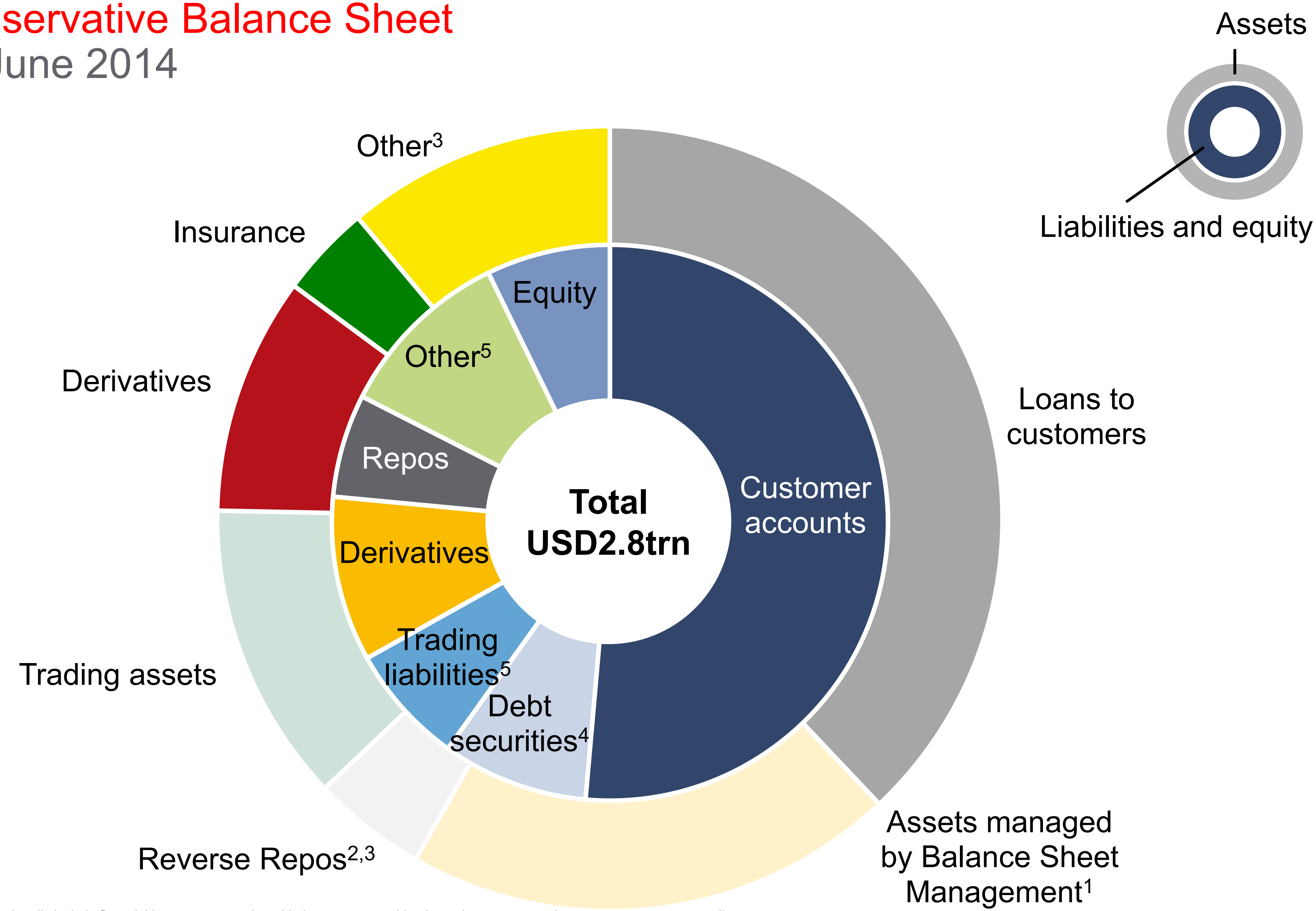
USDbn



1. On a reported basis
2. Net Operating Income before loan impairment charges and other credit risk provisions
3. Share of profit in associates and joint ventures

Conservative Balance Sheet

30 June 2014



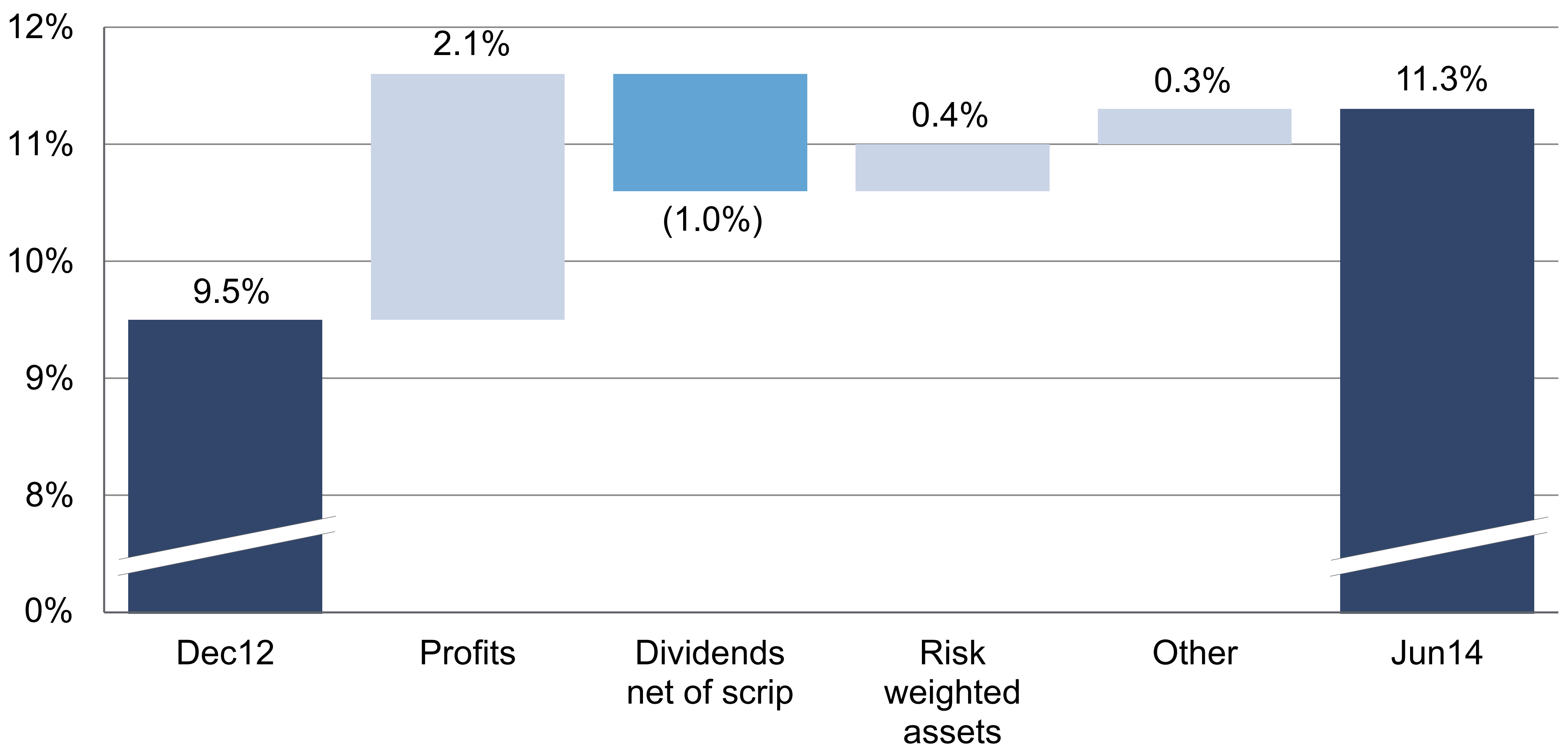
1. These primarily include financial investments, cash and balances at central banks and reverse repurchase agreements – non-trading
2. Reverse repurchase agreements – non-trading. Excludes agreements managed by Balance Sheet Management
3. Excludes some assets managed by Balance Sheet Management
4. Includes all Debt securities in issue and Subordinated liabilities
5. Excludes Debt securities in issue

Growing equity base driven by retained earnings

With strong and increasing capital ratios

Common Equity Tier 1 (end point basis)[1]

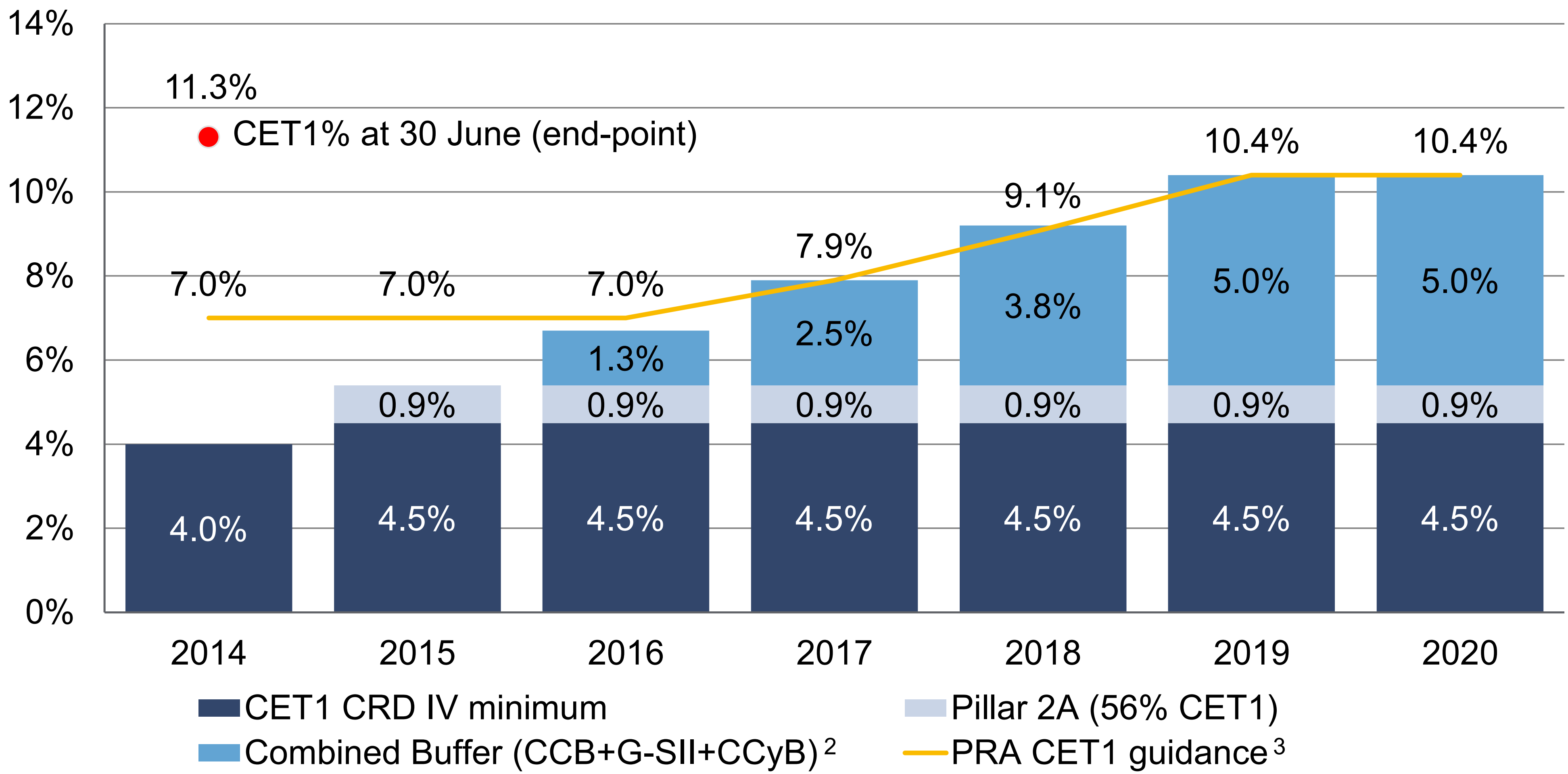
% risk weighted assets



1. On 1 January 2014, CRD IV came into force and capital and RWAs at 30 June 2014 are calculated and presented on this basis. Prior to implementation, CRD IV capital and RWAs were estimates based on the Group's interpretation of CRD IV legislation and the rules of the PRA available at the time.

Capital requirements

Required common equity tier 1 ratio[1]



1. Known or anticipated CET1 requirements, which have been defined and quantified by the regulator, including Pillar 2A and CRD IV buffers, as per UK implementation of CRDIV
2. Under CRD IV, the combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%, a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators and any of the G-SII/Systemic Risk buffer (SRB); generally the higher of a G-SII and Systemic Risk buffer applies; the HSBC G-SII buffer rate is still to be confirmed by the PRA – we currently assume a 2.5% G-SII buffer at the upper range and as such we do not currently expect any Systemic Risk add-on
3. As per PRA's Supervisory Statement SS3/13 of November 2013, from 1 January 2014, major UK banks are expected to meet 7% CET1 ratio, after taking into account any adjustments set by the PRA
4. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the bank should hold to meet the overall financial adequacy rule and is subject to change pending annual assessment and supervisory review process; it is held constant in the chart for simplification

HSBC's Perpetual Subordinated Contingent Convertible Securities

In overview

Targeted at institutional investors: minimum denominations $200,000

Item	Details
Issuer	HSBC Holdings plc
Distributions	Non-cumulative, discretionary, payable semi-annually [%] fixed with Reset on the 1st call date, and every 5-years thereafter
Distribution cancellation	Mandatory if insufficient distributable items or insolvency
Maturity	Perpetual
Redemption at par[1]	On any coupon reset date, or Loss of: tax deductibility on change of law; or full loss of capital eligibility
Loss absorption	7% CET1[2] ratio, Conversion into ordinary shares at USD equivalent of GBP2.70 per share
Listing	Irish Stock Exchange (Global Exchange Market)
Governing law	State of New York except subordination provisions (English Law)
Bail in	Statutory UK bail in powers

1. In all cases subject to HSBC Holdings having obtained the prior permission of the UK Prudential Regulatory Authority
2. HSBC Holdings plc consolidated CET 1 ratio as measured on an end-point basis

Mitigating the key risks

Item	Details
Distributable items	USD49.3bn at 31 Dec 13
Distributions - priority intention	"It is the Board of Directors' current intention that, whenever exercising its discretion to declare Ordinary Share dividends, or its discretion to cancel interest on its AT1 Instruments, the Board will take into account the relative ranking of these instruments in the Issuer's capital structure. However, the Board may at any time depart from this policy at its sole discretion." *Prospectus*
Capital buffers	"We place great importance on our ability to maintain and grow distributions to our investors derived from business profit generation. It remains our intention to maintain a management buffer above regulatory minimum requirements." *HSBC's 2014 Interim results call with analysts*
CET1 ratio	USD54.2bn buffer to trigger at 30 June 2014
Conversion Price	GBP2.70 per share - 10-year low
Maturity	Callable - subject to regulatory approval

Likely volume of issuance

Transitional own funds disclosure

US$m	At 30 June 2014	CRR prescribed residual amount	Final CRDIV text
Additional tier 1 (AT1) capital: instruments			
Amount of qualifying items and the related share premium accounts subject to phase out from AT1	10,094	(10,094)	–
Qualifying tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	3,883	(3,479)	404
• of which: instruments issued by subsidiaries subject to phase out	3,248	(3,248)	–
AT1 capital before regulatory adjustments	**13,977**	**(13,573)**	**404**
Additional tier 1 capital: regulatory adjustments			
Residual amounts deducted from additional tier 1 capital with regard to deduction from tier 2 capital during the transitional period	(164)	164	–
• of which: Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities	(164)	164	–
Total regulatory adjustments to additional tier 1 (AT1) capital	**(164)**	**164**	**–**
Additional tier 1 (AT1) capital	**13,813**	**(13,409)**	**404**

Required volume ~USD20bn. At present USD16bn outstanding of which USD14bn "grandfathered[1]"

1. Under CRDIV transition rules

Conclusions

HSBC's Perpetual Subordinated Contingent Convertible Securities

Investment case

Clear strategy	• Grow both business and dividends • Implement Global Standards • Streamline processes and procedures
Strong credit	• Clear risk appetite • Strong profit generation • Capital strength
Attractive issue	• Investor-friendly capital management history • USD49bn distributable items • USD54bn buffer to trigger
Capital Management	"Our approach to managing Group capital is designed to ensure that we exceed current regulatory requirements and that we respect the payment priority of our capital providers." *HSBC Holdings 2014 Interim Report*