

The Depository Trust Company

IMPORTANT

B#: 0040-06

DATE: August 28, 2006

TO: All Participants

CATEGORY: Dividends

FROM: Morris Richards, Specialist, Stock Dividend Department

ATTENTION: Dividend Managers, cashiers, and Reorganization Managers

SUBJECT: Optional Dividend: HSBC Holding Plc. CUSIP 404280406
R/D: 8/18/06 P/D: 10/4/06 Rate \$0.75 per ADS in cash or
ADSs (ADS option is less 1.5% SDRT)
DTC EDS Cut-Off 9/15/06 before 8:00 p.m. NYC time

***** WARNING TIME CRITICAL *****

The Directors of HSBC Holdings plc ("HSBC") declared the second interim dividend for 2006, which amounts to U.S. \$0.75 per American Depositary Share ("ADS"). As an alternative to receiving the dividend in cash you may elect to receive a scrip dividend of new ADSs (CUSIP# 404280406) at U.S. \$91.27083 per new ADS. This will provide ADS holders of record with a choice of receiving a dividend in cash, additional ADSs, or a combination of both (i.e., a record date holder of 500 ADSs may elect to receive 250 of the ADSs in cash and 250 of the ADSs in additional ADSs).

Participants who have a position in the above captioned security can elect to receive the dividend distribution in accordance with the following options:

Option #1 Cash: You may elect to receive the cash dividend of U.S. \$0.75 per ADS.

Option #2 ADSs: You may elect to receive the scrip dividend alternative payable in new HSBC ADSs with a value equivalent to the net cash dividend less 1.5 % Stamp Duty Reserve Tax (SDRT). Fractional ADS entitlements will be paid in cash and will not be subject to the 1.5 % SDRT.

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The number of ADSs to which you will be entitled to will be calculated by dividing the total cash dividend due on your holding of ADSs at the record date by the established U.S. ADS price of \$91.27083 per new ADS. Fraction will be paid in cash.

This represents the dollar equivalent of the average closing prices of HSBC Ordinary Shares (the ratio of Ordinary Shares to ADSs is 5 to 1) on the London Exchange for the five days commencing August 16, 2006 plus 1.5% Stamp Duty Reserve Tax, which is payable on the issue of new shares into the ADS program.

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION. To confirm record date history and payment information, participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcements Inquiry function (DIVA).

Participants not responding to the above option by 9/15/06 before 8:00 p.m. New York City time will receive the mandatory distribution in accordance with Option #1 (Cash).

If there are any questions regarding this Important Notice, or the processing of related instructions via EDS, participants should contact DTC's Customer Help Line at (888) 360-3822.