

The Depository Trust Company
IMPORTANT

B#: 3869-08
DATE: September 5, 2008
TO: All Participants
CATEGORY: Dividends
FROM: Supervisor, Stock Dividend Department
ATTENTION: Dividend Managers, Cashiers and Reorganization Managers
SUBJECT: Optional Dividend: HSBC Holding PLC CUSIP: 404280406
R/D: 08/22/08 P/D: 10/08/08
Rate: US \$.90 per ADS in cash or ADS
DTC EDS Cut-off 09/17/08 no later than 8:00 P.M. New York
time

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

The Directors of HSBC Holdings plc (“HSBC”) declared the second interim dividend for 2008, which amounts to U.S. \$.90 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. \$77.376495 per ADS.

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. \$.90 per ADS (**Default**).

Option #2 ADS: 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 \$77.376495 per new ADS. Fraction will be paid in cash.

This represents the dollar equivalent of the average closing prices of HSBC Ordinary Shares on the London Exchange for the five days commencing August 20, 2008 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).

Since fractions of ADSs cannot be issued, any residual dividend entitlement will be paid in cash. You would need to have a minimum of 86 ADSs in order to receive one new ADS as a scrip dividend. If you had less than 86 ADSs at August 22, 2008 your dividend will be paid in cash.

Participants not responding to the above option by 09/17/08 no later than 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) 382-2721.