

Offering Memorandum



HSBC Holdings plc

US \$ 877,495,000

Exchange offer to eligible holders for all existing 7.35% Notes due 2032 of Household Finance Corporation (the "Household 7.35% Notes") and for all existing 7.625% Notes due 2032 of Household Finance Corporation (the "Household 7.625% Notes" and, together with the Household 7.35% Notes, the "Household Notes")

Exchanged for 7.35% Subordinated Notes due 2032 of HSBC Holdings plc (the "HSBC 7.35% Notes") and 7.625% Subordinated Notes due 2032 of HSBC Holdings plc (the "HSBC 7.625% Notes" and, together with the HSBC 7.35% Notes, the "HSBC Notes")

Aggregate Principal Amount	Description of Household Notes	CUSIP Number/ISIN	Description of HSBC Notes	Early Tender Payment per \$1,000 Principal Amount
\$250,000,000	7.35% Notes due 2032 of Household Finance Corporation	441812KB9 / US441812KB90	7.35% Subordinated Notes due 2032 of HSBC Holdings plc	\$7.50 if tender received by 5:00 p.m., New York City time, on 16 November 2004
\$627,495,000	7.625% Notes due 2032 of Household Finance Corporation	441812JZ8 / US441812JZ87	7.625% Subordinated Notes due 2032 of HSBC Holdings plc	\$7.50 if tender received by 5:00 p.m., New York City time, on 16 November 2004

The early tender deadline (that is, the time by which you must tender in order to be eligible to receive the early tender payment) for the exchange offer is 5:00 p.m., New York City time, on 16 November 2004, unless extended. The exchange offer expires at 5:00 p.m., New York City time, on 30 November 2004, (the "expiration date"), unless extended or earlier terminated. Tenders may only be withdrawn prior to the early tender deadline.

If you are an eligible holder, we are offering to exchange your Household Notes listed above for HSBC Notes having the principal amount, interest rate, redemption terms and payment and maturity dates described in this offering memorandum and providing for accrued interest from the last date for which interest has been paid on those Household Notes. Within approximately 365 days following the Exchange Date of the HSBC Notes, we will offer to exchange HSBC Notes for like principal amounts of unrestricted HSBC notes ("Unrestricted HSBC Notes") with no resale restrictions and otherwise with identical terms as the HSBC Notes. Prior to such exchange, the HSBC Notes will be subject to certain transfer restrictions as described in this offering memorandum. See "Transfer Restrictions."

We will not be required to complete the exchange offer or to make the early tender payments relating to the exchange offer with respect to Household Notes of a series if we do not receive valid and unwithdrawn tenders representing at least 30% in aggregate principal amount of Household Notes of the relevant series. We are, however, required to complete the exchange offer for Household Notes of a series if we receive valid and unwithdrawn tenders representing at least 30% in aggregate principal amount of that series, even if we receive valid and unwithdrawn tenders representing less than 30% in aggregate principal amount of Household Notes of the other series. We are free to waive this or any other condition with respect to the exchange offer.

As we want to encourage holders to tender early so that we can have a better sense of the success rate of the exchange offer early in the process, we will pay an amount in cash equal to the early tender payment listed above to each holder of Household Notes accepted for exchange if the holder has tendered those notes before the early tender deadline of 5:00 p.m., New York City time, on 16 November 2004. We will not be required to make the early tender payment with respect to Household Notes of a series unless and until the exchange offer with respect to Household Notes of such series is consummated.

If you are an eligible holder and you would like to tender your Household Notes in the exchange offer, you may do so through DTC's ATOP program or by following the instructions that appear later in this offering memorandum and in the related letter of transmittal. If you hold your Household Notes through a broker or other nominee, only that broker or nominee can tender your Household Notes. In that case, you must instruct your broker or nominee if you want to tender your Household Notes.

We have not registered the HSBC Notes under the US Securities Act of 1933, as amended (the "Securities Act"). We have distributed to each holder of Household Notes a letter requesting certification that it is (A) (i) a qualified institutional buyer, as that term is defined in Rule 144A under the Securities Act, or (ii) a person other than a US person, as that term is defined in Regulation S under the Securities Act and (B) if situated in the United Kingdom, a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business. **Unless you are located in Luxembourg, only holders of Household Notes who have completed and returned the certification are authorised to participate in the exchange offer. These persons, including those who are authorized to participate in the exchange offer by virtue of their presence in Luxembourg, are referred to in this offering memorandum as eligible holders. For a description of restrictions on transfers of the HSBC Notes, see "Transfer Restrictions."**

None of HSBC, Household, the exchange agent, the Luxembourg exchange agent, the information agent, the trustee under the indentures under which Household Notes were issued (either the "Household 7.35% Indenture" or the "Household 7.625% Indenture" or collectively the "Household Indentures"), the trustee under the indenture, as supplemented, under which the HSBC Notes will be issued (the "HSBC Indenture") or the dealer managers makes any recommendation as to whether or not holders of Household Notes should exchange their securities in the exchange offer.

Although the Household Notes constitute senior unsecured debt of Household, the HSBC Notes that we are offering in exchange for the Household Notes constitute unsecured subordinated obligations of HSBC, subordinated in right of payment to claims of our depositors and all our other creditors other than claims which are by their terms, or are expressed to be, subordinated to the claims of all or any of the creditors of HSBC. You should read carefully "Description of Differences between the Household Notes and the HSBC Notes" and "Description of the HSBC Notes—Subordination."

We intend to list the Unrestricted HSBC Notes to be issued in the subsequent exchange offer either on the London Stock Exchange or the New York Stock Exchange. We expect that delivery of interest in certificateless depositary interests representing interests in the HSBC Notes will be made in book-entry form through The Depository Trust Company on or about 3 December 2004.

The exclusive dealer managers for the exchange offer are:

JPMorgan

HSBC

The date of this offering memorandum is 27 October 2004

We accept responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the completeness of this offering memorandum.

The exchange offer is not being made to, nor will HSBC accept exchanges from, holders of Household Notes in any jurisdiction in which the exchange offer or the acceptance of outstanding Household Notes in exchange for the HSBC Notes would violate the laws of that jurisdiction. This offering memorandum may only be used for the purposes for which it has been published.

You should rely only on the information contained or incorporated by reference in this offering memorandum. We have not authorised any person (including any dealer, salesman or broker) to provide information or make any representations other than that provided in this offering memorandum and, if given or made, that information or representation must not be relied upon as having been authorised by HSBC, Household, the dealer managers or any agent or dealer. You should not assume that the information in this offering memorandum is accurate as of any date other than the date on the cover page or that any information contained in any document we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

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HOLDERS IN THE UNITED KINGDOM

This offering memorandum is only being distributed to, and is only directed at, (i) eligible holders who are outside the United Kingdom or (ii) eligible holders who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") (all such persons together being referred to as "relevant persons"). The HSBC Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such new notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Any reference in this offering memorandum to "you" or "your" is made on the basis that you are an eligible holder.

CERTAIN REGULATORY ISSUES RELATING TO ITALY

The exchange offer has not been cleared by Consob (the Italian Securities Exchange Commission) pursuant to Italian securities laws and regulations, and, accordingly, the exchange offer is not directed to Italian residents and no copies of the offering memorandum or of any other document relating to this exchange offer may be distributed in the Republic of Italy to Italian residents, except in circumstances under which the offer would not qualify as a public exchange offer pursuant to Article 1, (v) of Legislative Decree No. 58 of 24 February 1998, as amended and its implementing Consob regulations, including but not limited to Article 33, first paragraph, of Consob Regulation No. 11971 of 14 May 1999, as amended.

CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER DATA

Definitions

As used in this offering memorandum, the terms "HSBC," "we," "us" and "our" refer to HSBC Holdings plc. "HSBC Group" and "Group" mean HSBC together with its subsidiary undertakings. The term "Household" means Household Finance Corporation. In addition, the term "UK GAAP" means generally accepted accounting principles in the United Kingdom and the term "US GAAP" means generally accepted accounting principles in the United States.

Presentation of Financial Information

HSBC's financial statements and notes thereto, as incorporated by reference in this offering memorandum, are prepared in accordance with UK GAAP. HSBC uses the US dollar as its reporting currency because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts its business. As HSBC is listed on the New York Stock Exchange, it also reconciles certain financial information to US GAAP, which differs in certain respects from UK GAAP as explained on page 326 of our 2003 Annual Report and Accounts on Form 20-F incorporated by reference herein and reconciled in Note 50 to our financial statements found therein. See "Where You Can Obtain More Information About Us." Unless otherwise stated, the numbers presented in this offering memorandum have been prepared in accordance with UK GAAP.

Currency

In this offering memorandum, all references to (i) "US dollars," "US \$" or "\$" are to the lawful currency of the United States of America and (ii) "euro" or "€" are to the lawful currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended by the Treaty on European Union.

LIMITATIONS ON ENFORCEMENT OF US LAWS AGAINST US, OUR MANAGEMENT AND OTHERS

We are an English public limited company. Most of our directors and executive officers (and certain experts named in this offering memorandum or in documents incorporated by reference) are resident outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the

United States upon these persons or to enforce against them or us in US courts judgments obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English solicitors, Cleary, Gottlieb, Steen & Hamilton, that there is doubt as to enforceability in the English courts, in original actions or in actions for enforcement of judgments of US courts, of liabilities predicated solely upon the federal securities laws of the United States. In addition, awards of punitive damages in actions brought in the US or elsewhere may not be enforceable in the United Kingdom. The enforceability of any judgment in the United Kingdom will depend on the particular facts of the case in effect at the time.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents incorporated by reference in this offering memorandum contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as believes, expects, estimate, may, intends, plan, will, should or anticipates or the negative thereof or similar expressions, or by discussions of strategy. We have based the forward-looking statements on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates.

WHERE YOU CAN OBTAIN MORE INFORMATION ABOUT US

We file annual reports and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room.

We are "incorporating by reference" in this offering memorandum the information in the documents that we file with the SEC, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this offering memorandum. We incorporate by reference in this offering memorandum the documents listed below.

- Report on Form 6-K dated 2 August 2004 (presenting interim results for HSBC Holdings plc); and
- Annual Report and Accounts on Form 20-F for the year ended 31 December 2003.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act") and, to the extent expressly stated therein, certain Reports on Form 6-K furnished by us after the date of this offering memorandum and prior to the termination of the exchange offer shall also be deemed to be incorporated by reference in this offering memorandum from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offering memorandum and to be a part hereof from the date of filing of such document. There has not been any material development in our business since the date of our Interim Report on Form 6-K dated 2 August 2004 incorporated by reference herein.

You may request a copy of these documents at no cost to you by writing or telephoning us at either of the following addresses:

Group Company Secretary
HSBC Holdings plc
8 Canada Square
London E14 5HQ
England
Tel: +44-20-7991-8888

HSBC Holdings plc
c/o HSBC Bank USA, National Association
452 Fifth Avenue
New York, New York, 10018
Attn: Investor Affairs
Tel: +1-212-525-5000

In addition, a copy of these documents are freely obtainable at the offices of the Luxembourg exchange agent.

We will provide to the trustee referred to under “Description of the HSBC Notes” our annual reports, which will include a description of operations and annual audited consolidated financial statements prepared under UK GAAP, together with a reconciliation of net income and shareholders’ funds to US GAAP. We will also furnish the trustee with interim reports which will include unaudited interim consolidated financial information prepared under UK GAAP and which may contain a reconciliation of net income and shareholders’ funds to US GAAP. The trustee will mail such reports to a holder of these securities who requests a copy. In addition, a copy of these documents are freely obtainable at the offices of the Luxembourg paying agent.

The notice légale as well as the articles of incorporation of the Company have been filed with the Luxembourg trade and companies register in accordance with articles 33, 80 and 161 of the Luxembourg act dated 10 August 1915 concerning commercial companies, as amended.

HSBC HOLDINGS PLC

HSBC Holdings plc ("HSBC") is one of the largest banking and financial services organisations in the world, with a market capitalisation of US\$165 billion at 30 June 2004. As at 30 June 2004, HSBC had total assets of US\$1,154 billion and shareholders' equity of US\$79 billion. For the six months ended 30 June 2004, HSBC's operating profit was US\$9 billion on revenues of US\$25 billion. HSBC is a strongly capitalised banking group with a total capital ratio of 12.4% and a tier 1 capital ratio of 9.3% as at 30 June 2004.

Headquartered in London, HSBC operates through long-established businesses and has an international network of over 9,500 offices in 76 countries and territories in five regions: Europe; Hong Kong; the rest of Asia-Pacific, including the Middle East and Africa; North America; and South America. Within these geographical regions, a comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. HSBC manages its business through the following customer groups: Personal Financial Services; Commercial Banking; Corporate, Investment Banking and Markets; and Private Banking. Whilst part of Personal Financial Services, the consumer finance operations of Household are currently a distinct business and have been separately identified accordingly. Services are delivered through businesses which usually operate as domestic banks, typically with large retail deposit bases and strong liquidity and capital ratios. In North America, Household is one of the largest consumer finance companies in the US, and is substantially funded in the wholesale market. By using HSBC's extensive technological links, businesses are able to access its wide range of products and services and adapt them to local customer needs.

The establishment of HSBC and its hexagon symbol as a uniform, international brand has ensured that it has become an increasingly familiar sight across the world.

HSBC's largest and best-known subsidiaries and their primary areas of operation are:

- | | |
|---|---|
| • The Hongkong and Shanghai Banking Corporation Limited | Hong Kong SAR, with an extensive network throughout Asia-Pacific |
| • Hang Seng Bank Limited | Hong Kong SAR |
| • HSBC Bank plc | United Kingdom |
| • CCF S.A. | France |
| • HSBC Bank USA, National Association | New York State in the United States |
| • Household International, Inc. | United States |
| • HSBC Bank Brasil S.A.-Banco Múltiplo | Brazil |
| • HSBC Private Banking Holdings (Suisse) S.A. | Switzerland, Hong Kong SAR, Monaco, Luxembourg, United Kingdom, Singapore and the Channel Islands |
| • HSBC México, S.A. Institución de Banca Múltiple Grupo Financiero HSBC | Mexico |
| • The Bank of Bermuda Limited | Bermuda, Luxembourg, Ireland, Jersey, Guernsey, Isle of Man |

HSBC SELECTED FINANCIAL DATA

	<u>Six months ended June 30,</u>		<u>Year Ended December 31,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002⁽¹⁾</u>	<u>2001⁽¹⁾</u>	<u>2000⁽¹⁾</u>	<u>1999</u>
	(US \$ millions)					
At period-end						
Share capital	5,513	5,481	4,741	4,678	4,634	4,230
Shareholders' funds	79,259	74,473	51,765 ⁽¹⁾	45,688 ⁽¹⁾	45,631	34,402 ⁽⁶⁾
Capital resources ⁽⁴⁾	81,075	74,042	57,430	50,854	50,964	44,270
Customer accounts	635,031	573,130	495,438	449,991	427,069	359,972
Undated subordinated loan capital	3,617	3,617	3,540	3,479	3,546	3,235
Dated subordinated loan capital	18,258	17,580	14,831	12,001	12,676	12,188
Loans and advances to customers ⁽⁵⁾	594,875	528,977	352,344	308,649	289,837	253,567
Total assets	1,153,932	1,034,216	758,605 ⁽¹⁾	695,545 ⁽¹⁾	673,503	569,908 ⁽⁶⁾
For the period						
Net interest income	15,106	25,598	15,460	14,725	13,723	11,990
Other operating income	9,922	15,474	11,135	11,163	10,850	9,012
Operating profit before provisions	11,802	18,540	10,787	10,484	10,486	9,653
Provisions for bad and doubtful debts	(2,803)	(6,093)	(1,321)	(2,037)	(932)	(2,073)
Profit on ordinary activities before tax	9,368	12,816	9,650	8,000	9,775	7,982
Profit attributable to shareholders	6,346	8,774	6,239	4,992	6,457	5,408
Dividends	(2,853)	(6,532)	(5,001)	(4,467)	(4,010)	(2,872)
(US \$ per share)						
Per ordinary share⁽²⁾						
Basic earnings	0.58	0.84	0.67	0.54	0.74	0.65
Earnings excluding goodwill amortisation ⁽³⁾	0.67	0.99	0.76	0.63	0.80	0.66
Diluted earnings	0.58	0.83	0.66	0.53	0.73	0.65
Dividends	0.26	0.60	0.53	0.48	0.435	0.34
Net asset value at year end	7.19	6.79	5.46	4.88	4.92	3.95

(1) The figures for shareholders' funds, total assets and average total assets for 2002, 2001 and 2000 have been restated to reflect the adoption of Urgent Issues Task Force ("UITF") Abstracts 37 "Purchases and sales of own shares", and 38 "Accounting for ESOP trusts", details of which are set out in Note 1 of the "Notes on the Financial Statements" found on pages 239 to 240 of our 2003 Annual Report on Form 20-F incorporated by reference herein. The 1999 comparatives above have not been restated as any adjustment would not significantly alter the figures. Therefore, any benefit to be obtained from restatement would be outweighed by the cost of the exercise.

(2) Per ordinary share amounts reflect the share capital reorganisation on 2 July 1999.

(3) Earnings excluding goodwill amortisation per ordinary share are calculated by dividing profit excluding goodwill amortisation attributable to shareholders by the weighted average number of ordinary shares in issue and held outside the Group during the year, which is the same number used in the calculation of basic earnings per share on a reported basis.

(4) Capital resources are defined on page 173 of our 2003 Annual Report on Form 20-F incorporated by reference herein. A detailed computation for 2003 and 2002 is provided on page 176 of the report and for the six months ended 30 June 2004 is provided on page 113 of the Interim Report on Form 6-K incorporated by reference herein.

(5) Net of suspended interest and provisions for bad and doubtful debts

(6) Apart from shareholders' funds and total assets at the 1999 year-end, the 1999 comparatives have not been restated to reflect the adoption of UK Financial Reporting Standard 19 "Deferred tax" in 2002 as any adjustment made would not significantly alter the figures. Therefore, any benefit to be obtained from restatement would be outweighed by the cost of the exercise.

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE SHARE DIVIDENDS

The ratios of earnings to combined fixed charges and preference share dividends for HSBC for the periods indicated, using financial information calculated in accordance with UK GAAP and estimated financial information adjusted to reflect US GAAP, are:

	Year ended 31 December				
	2003	2002	2001	2000	1999
Ratios in accordance with UK GAAP					
Excluding interest on deposits	7.41	6.57	4.90	5.83	7.84
Including interest on deposits	1.80	1.66	1.35	1.38	1.45
Ratios in accordance with US GAAP					
Excluding interest on deposits	6.33	5.42	4.90	5.67	7.38
Including interest on deposits	1.67	1.53	1.34	1.37	1.42

For the purpose of calculating the ratios of earnings to combined fixed charges and preference share dividends, earnings consist of income from continuing operations before taxation and minority interests, plus fixed charges and after deduction of the unremitted pre-tax income of associated undertakings. Fixed charges consist of total interest expense, including or excluding interest on deposits, as appropriate, preference share dividends, as applicable, and the proportion of rental expense deemed representative of the interest factor.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Q: Why is HSBC Making the Exchange Offer?

A: The exchange offer is intended to allow us to rationalise the HSBC Group's funding structure and augment our capital base and to reduce associated expenses.

Q: What Will I Receive in the Exchange Offer?

A: For each \$1,000 principal amount of Household 7.35% Notes validly tendered and accepted for exchange, HSBC is offering \$1,000 principal amount of HSBC 7.35% Notes. For each \$1,000 principal amount of Household 7.625% Notes validly tendered and accepted for exchange, HSBC is offering \$1,000 principal amount of HSBC 7.625% Notes. The HSBC 7.35% Notes and the HSBC 7.625% Notes being offered under this offering memorandum will be issued under and governed by the terms of the HSBC Indenture. Instead of receiving a payment for accrued interest on Household Notes you exchange, the HSBC Notes you receive in exchange for those Household Notes will accrue interest from the last date to which interest has been paid on those Household Notes.

In addition, HSBC will pay an amount in cash equal to the early tender payment listed on the cover page of this offering memorandum to each holder of Household Notes accepted for exchange if the holder has tendered those notes prior to the early tender deadline. The early tender deadline for each exchange offer will be 5:00 p.m., New York City time, on 16 November 2004, unless extended.

Q: What are the Consequences of Not Tendering in the Exchange Offer?

A: Holders who do not tender in the exchange offer before the early tender deadline will not receive the applicable early tender payment. As the exchanged Household Notes will be held by HSBC and may be cancelled after the exchange offer, the trading market for the unexchanged Household Notes could become more limited than the existing trading market for the Household Notes and could cease to exist altogether due to the reduction in the amount of the Household Notes outstanding upon consummation of the exchange offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Household Notes. If a market for unexchanged Household Notes exists or

develops, Household Notes may trade at a discount to the price at which they would trade if the amount outstanding were not reduced.

Those Household Notes that are not exchanged in this exchange offer and are not subsequently cancelled, however, will remain listed on the Luxembourg Stock Exchange.

Q: How do the Household Notes Differ from the HSBC Notes to be Issued in the Exchange Offer?

A: The Household Notes are the obligations solely of Household and are governed by the respective Household Indentures, while the HSBC Notes will be the obligations solely of HSBC and will be governed by the HSBC Indenture. The Household Indentures and the HSBC Indenture differ in some material respects, including as follows:

- the elimination of certain covenants, including the limitation of liens
- changes in the payment of additional interest amounts, reflecting the change in the jurisdiction of incorporation of the issuer and certain other changes
- the definitions of Default and Events of Default
- the senior status of the Household Notes and the subordinated status of the HSBC Notes

For a more detailed description of the differences between the Household Indentures and the HSBC Indenture, see “Description of Differences Between the Household Notes and the HSBC Notes” and “Description of the HSBC Notes.”

Q: What are the US Federal Income Tax Consequences to Holders that Tender Household Notes in the Exchange Offer?

A: The receipt of HSBC Notes and early tender payments in connection with the exchange offer will be a taxable transaction for US federal income tax purposes, and holders of Household Notes validly tendered in the exchange offer will, accordingly, recognise gain or loss. See the discussion under “Certain Tax Considerations—Certain US Federal Income Tax Consequences.”

Q: Will HSBC Accept All Tenders of Household Notes?

A: Subject to the satisfaction or waiver of the conditions to the exchange offer, HSBC will accept for exchange any and all Household Notes validly tendered in the exchange offer on or before the expiration date.

Q: When Will HSBC Issue HSBC Notes and Make Early Tender Payments in Exchange for Household Notes?

A: Assuming the conditions to the exchange offer are satisfied or waived, HSBC will issue HSBC Notes in book-entry form and make early tender payments in exchange for Household Notes on the third business day following the expiration date or as soon as practicable after that date.

Q: When do I need to Tender My Household Notes to Receive the Early Tender Payment?

A: The early tender deadline for the exchange offers is 5:00 p.m., New York City time on 16 November 2004, unless extended. The early tender deadline is the latest date and time on which you may tender your Household Notes and receive the early tender payment if these notes are exchanged.

Q: When does the Exchange Offer Expire?

A: The exchange offer will expire at 5:00 p.m., New York City time, on 30 November 2004, unless HSBC, in its sole discretion, extends the exchange offer for either series of Household Notes, in which case the expiration date with respect to such exchange offer will be the latest date and time to which that exchange offer is extended. See “The Exchange Offer—Early Tender Payment Deadline;

Expiration Date; Extensions; Amendments.”

Q: What are My Rights if I Change My Mind After I Tender My Household Notes?

A: You may withdraw your tender at any time before the early tender deadline. Household Notes tendered after the early tender deadline will not be eligible for the early tender payment, and may not be withdrawn. See “The Exchange Offer—Withdrawal of Tenders.”

Q: How do I Exchange My Household Notes if I am a Beneficial Owner of Household Notes held of Record by a Custodian Bank, Depositary, Broker, Trust Company or other Nominee? Will the Record Holder Exchange My Household Notes for Me?

A: If your Household Notes are held by a custodian bank, depositary, broker, trust company or other nominee and you wish to tender the Household Notes in the exchange offer, you should contact that institution promptly and instruct the institution to tender on your behalf. Only your broker or nominee may tender your Household Notes. The record holder will tender your Household Notes on your behalf, but only if you instruct the record holder to do so. See “The Exchange Offer—Procedures for Tendering—Tender of Household Notes Held through a Nominee.”

Q: Do I have the Right to Dissent from the Exchange Offer or Seek Appraisal of the Household Notes I hold?

A: Holders of Household Notes do not have any appraisal or dissenters’ rights under New York law, the law governing the Household Indentures, or under the terms of the Household Indentures in connection with the exchange offer.

Q: To Whom Should I Direct Any Questions?

A: Questions concerning the terms of the exchange offer should be directed to the dealer managers. Questions concerning tender procedures and requests for additional copies of this offering memorandum should be directed to the information agent. The addresses and telephone numbers of the dealer managers and the information agent are set forth on the back cover page of this offering memorandum. Such questions may also be directed to the Luxembourg exchange agent.

THE EXCHANGE OFFER

Terms of the Exchange Offer

HSBC is offering HSBC Notes in exchange for outstanding Household Notes. Specifically, HSBC is offering:

- \$1,000 principal amount of 7.35% Subordinated Notes due 2032 of HSBC Holdings plc, which we refer to as the “HSBC 7.35% Notes,” for each \$1,000 principal amount of outstanding 7.35% Notes due 2032 of Household Finance Corporation, which we refer to as the “Household 7.35% Notes”; and
- \$1,000 principal amount of 7.625% Subordinated Notes due 2032 of HSBC Holdings plc, which we refer to as the “HSBC 7.625% Notes,” for \$1,000 principal amount of outstanding 7.625% Notes due 2032 of Household Finance Corporation, which we refer to as the “Household 7.625% Notes.”

We refer to the HSBC 7.35% Notes, together with the HSBC 7.625% Notes, as the “HSBC Notes,” and we refer to the Household 7.35% Notes, together with the Household 7.625% Notes, as the “Household Notes.” The HSBC Notes you receive in exchange for Household Notes will accrue interest from the last date to which interest has been paid on those Household Notes. You will not receive a payment for accrued interest on Household Notes you exchange at the time of that exchange.

HSBC’s obligation to complete the exchange offer and to make the early tender payments relating to the exchange offer with respect to Household Notes of a series is conditioned on, among other things, receipt of valid and unwithdrawn tenders by the expiration date from the holders of at least 30% in aggregate principal amount outstanding of Household Notes of the relevant series, which we refer to as the minimum tender condition. HSBC, however, will be free to waive this or any other condition with respect to the exchange offer. After completion of the exchange offer, the Household Notes will be held by HSBC and may be cancelled in the future.

In addition to the HSBC Notes that HSBC will issue in exchange for Household Notes, HSBC will pay an amount in cash equal to the early tender payment listed on the cover page of this offering memorandum to each holder of Household Notes accepted for exchange if the holder has tendered those notes prior to the early tender deadline. The time by which holders must tender Household Notes in that offer in order to be eligible to receive the early tender payment will be 5:00 p.m., New York City time, on 16 November 2004, unless extended.

HSBC will make an early tender payment for Household Notes of a series only if the holder of the Household Notes of that series tenders those notes in the exchange offer prior to the early tender deadline and HSBC in fact exchanges the Household Notes of that series for HSBC Notes of the relevant series in the exchange offer.

Conditions to the Exchange Offer

HSBC’s obligation to complete the exchange offer and to make the early tender payments relating to the exchange offer is subject to the satisfaction or waiver by HSBC of the following conditions:

- the minimum tender condition described under “—Terms of the Exchange Offer” above;
- the following statements being true:
 - (1) There does not exist:
 - in our sole judgment, any actual or threatened legal impediment, including a default under an agreement, indenture or other instrument or obligation to which we are party or by which we are bound, to the consummation of the exchange offer; or
 - any change or development, including a prospective change or development, that, in our

sole judgment, has or may have a material adverse effect on us or on the value of the exchange offer to us; and

(2) The trustee under the Household Indentures has not objected in any respect to, or taken any action that could in our reasonable judgment adversely affect the consummation of:

- the exchange offer; or
- the exchange of Household Notes under the exchange offer; and
- the trustee under the Household Indentures has not taken any action that challenges the validity or effectiveness of the procedures used by HSBC in making the exchange offer or the exchange of the Household Notes under the exchange offer.

All of these conditions are for the sole benefit of HSBC and may be waived by HSBC, in whole or in part, and with respect to the exchange offer for the Household Notes, in its sole discretion. Any determination made by HSBC concerning these events, developments or circumstances shall be conclusive and binding.

If any of these conditions are not satisfied with respect to the Household Notes, HSBC may, at any time before or concurrently with completing the exchange offer:

- terminate the exchange offer and return all tendered Household Notes to the holders thereof;
- modify, extend or otherwise amend the exchange offer with respect to the Household Notes, and retain all tendered Household Notes until the expiration date, as extended, of the exchange offer, subject, however, to the withdrawal rights of holders (See “The Exchange Offer—Withdrawal of Tenders” and “—Early Tender Payment Deadline; Expiration Date; Extensions; Amendments”); or
- waive the unsatisfied conditions with respect to the exchange offer and accept all Household Notes tendered and not previously withdrawn.

Early Tender Deadline; Expiration Date; Extensions; Amendments

The term “early tender deadline” means 5:00 p.m., New York City time, on 16 November 2004, subject to the right of HSBC to extend that date and time in its sole discretion.

The term “expiration date” means 5:00 p.m., New York City time, on 30 November 2004, subject to the right of HSBC to extend that date and time for the exchange offer in its sole discretion.

HSBC reserves the right, in its sole discretion, to:

- delay accepting any validly tendered Household Notes;
- extend the exchange offer; or
- terminate or amend the exchange offer, by giving oral or written notice of such delay, extension, termination or amendment to the exchange agent and the Luxembourg exchange agent.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by a public announcement thereof which, in the case of an extension, will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. In addition, we will promptly announce any such delay in acceptance, extension, termination or amendment by publishing such notices in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) in compliance with the regulations of the Luxembourg Stock Exchange and notify the Luxembourg Stock Exchange.

HSBC also reserves the right, in its sole discretion, to provide a subsequent offering period of between

three and twenty business days for the exchange offer. If a subsequent offering period is provided, all Household Notes validly tendered and not withdrawn prior to the early tender deadline of the initial offering period will be accepted and exchanged for HSBC Notes and we will make a public announcement of the subsequent offering period no later than 9:00 a.m., New York City time, on the next business day after the expiration date of the initial offering period. Unless otherwise provided in the announcement of the subsequent offering period, all Household Notes validly tendered during the subsequent offering period will be promptly accepted and exchanged for the HSBC Notes as they are tendered. Unless otherwise provided in the announcement of the subsequent offering period, holders of Household Notes will not have the right to withdraw notes tendered during the subsequent offering period and no early tender payment will be made with respect to notes tendered during the subsequent offering period.

If the exchange offer is amended in a manner determined by HSBC to constitute a material change, HSBC will promptly disclose that amendment to holders of Household Notes and HSBC will extend the exchange offer to a date five to ten business days after disclosing the amendment, depending upon the significance of the amendment and the manner of disclosure to the holders, if the exchange offer would otherwise have expired during that five to ten business day period.

Without limiting the manner in which HSBC may choose to make a public announcement of any delay, extension, amendment or termination of the exchange offer, HSBC will have no obligation to publish, advertise or otherwise communicate that public announcement other than by making a timely release to any appropriate news agency, including the Dow Jones News Service, and by publishing such notices in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) in compliance with the regulations of the Luxembourg Stock Exchange.

Effect of Tender

Any tender by a holder of Household Notes that is not withdrawn prior to the early tender deadline will constitute a binding agreement between that holder and HSBC, upon the terms and subject to the conditions of the exchange offer and the related letter of transmittal. The acceptance of the exchange offer by a tendering holder of Household Notes will constitute the agreement by that holder to deliver good and marketable title to the tendered Household Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind. The successful completion of the exchange offer may adversely affect the liquidity and market prices of any remaining Household Notes.

Absence of Dissenters' Rights

Holders of the Household Notes do not have any appraisal or dissenters' rights under New York law, the law governing the Household Indentures and the Household Notes, or under the terms of the respective Household Indentures in connection with the exchange offer.

Acceptance of Household Notes for Exchange, Delivery of HSBC Notes and Early Tender Payments

Assuming the conditions to the exchange offer are satisfied or waived, HSBC will issue HSBC Notes in book-entry form and will make early tender payments in exchange for Household Notes on the third business day following the expiration date or as soon as practicable after that date. We refer to the date on which we exchange HSBC Notes for Household Notes pursuant to the exchange offer as the "Exchange Date."

HSBC will be deemed to have accepted validly tendered Household Notes when, and if, HSBC has given oral or written notice thereof to the exchange agent. Subject to the terms and conditions of the exchange offer, the exchange agent will deliver the HSBC Notes and make the early tender payments for Household Notes accepted by HSBC on the early tender date upon receipt of that notice. The exchange agent will act as agent for tendering holders of the Household Notes for the purpose of receiving Household Notes from and transmitting HSBC Notes and early tender payments to those holders. If any tendered Household Notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if Household Notes are withdrawn prior to the early tender deadline, those unaccepted or withdrawn Household Notes will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Procedures for Tendering

If you hold Household Notes and wish to have those notes exchanged for HSBC Notes, you must validly tender (or cause the valid tender of) your Household Notes using the procedures described in this offering memorandum.

The procedures by which you may tender or cause to be tendered Household Notes will depend upon the manner in which you hold the Household Notes, as described below.

Tender of Household Notes Held through a Nominee

If you are a beneficial owner of Household Notes that are held of record by a custodian bank, depository, broker, trust company or other nominee, and you wish to tender Household Notes in the exchange offer, you should contact the record holder promptly and instruct the record holder to tender the Household Notes on your behalf using one of the procedures described below.

Tender of Household Notes with DTC

Pursuant to authority granted by The Depository Trust Company ("DTC") if you are a DTC participant that has Household Notes credited to your DTC account and thereby held of record by DTC's nominee, you may directly tender your Household Notes as if you were the record holder. Accordingly, references herein to record holders include DTC participants with Household Notes credited to their accounts. Within two business days after the date of this offering memorandum, the exchange agent will establish accounts with respect to the Household Notes at DTC for purposes of the exchange offer.

Any participant in DTC, including the respective depositants for Euroclear and Clearstream, Luxembourg, may tender Household Notes by effecting a book-entry transfer of the Household Notes to be tendered in the exchange offer into the account of the exchange agent at DTC and either:

- electronically transmitting its acceptance of the exchange offer through DTC's Automated Tender Offer Program ("ATOP") procedures for transfer, or
- completing and signing the letter of transmittal according to the instructions and delivering it, together with any signature guarantees and other required documents, to the exchange agent or the Luxembourg exchange agent at its address on the back cover page of this offering memorandum, in either case before the exchange offer expires.

If ATOP procedures are followed, DTC will verify each acceptance transmitted to it, execute a book-entry delivery to the exchange agent's account at DTC and send an agent's message to the exchange agent. An "agent's message" is a message, transmitted by DTC to and received by the exchange agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from a DTC participant tendering Household Notes that the participant has received and agrees to be bound by the terms of the letter of transmittal and that HSBC and Household may enforce the agreement against the participant. DTC participants following this procedure should allow sufficient time for completion of the ATOP procedures prior to the expiration date.

The letter of transmittal (or facsimile thereof), with any required signature guarantees, or (in the case of book-entry transfer) an agent's message in lieu of the letter of transmittal, and any other required documents, must be transmitted to and received by the exchange agent or the Luxembourg exchange agent, as applicable, prior to the expiration date at one of its addresses set forth on the back cover page of this offering memorandum. Delivery of such documents to DTC does not constitute delivery to the exchange agent or the Luxembourg exchange agent. If you wish to receive the early tender payment, you must deliver a letter of transmittal to the exchange agent or the Luxembourg exchange agent, or, in the case of book-entry transfer, an agent's message instead of the letter of transmittal, to the exchange agent prior to the early tender deadline of the exchange offer.

Letter of Transmittal

Subject to and effective upon the acceptance for exchange and exchange of HSBC Notes for

Household Notes tendered by a letter of transmittal in accordance with the terms and subject to the conditions set forth in this offering memorandum, by executing and delivering a letter of transmittal (or agreeing to the terms of a letter of transmittal pursuant to an agent's message) a tendering holder of Household Notes:

- irrevocably sells, assigns and transfers to or upon the order of HSBC or its nominees, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the holder's status as a holder of, all Household Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or equity against HSBC or any fiduciary, trustee, fiscal agent or other person connected with the Household Notes arising under, from or in connection with such Household Notes,
- waives any and all rights with respect to the Household Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Household Notes),
- releases and discharges HSBC, Household, and the trustee under the Household Indentures from any and all claims such holder may have, now or in the future, arising out of or related to the Household Notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Household Notes tendered thereby (other than as expressly provided in this document and in the letter of transmittal) or to participate in any redemption or defeasance of the Household Notes tendered thereby,
- represents and warrants that the Household Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and acknowledges that HSBC will acquire good, indefeasible and unencumbered title to such Household Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when the same are accepted by HSBC, and
- constitutes the irrevocable appointment of the exchange agent and the Luxembourg exchange agent as its attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Household Notes tendered hereby in favour of HSBC or such other person or persons as they may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and/or agent's discretion and the certificate(s) and other document(s) of title relating to such Household Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the exchange offer, and to vest in HSBC or its nominees such Household Notes.

There is a single form of letter of transmittal that you can fill out for the Household Notes.

Proper Execution and Delivery of Letter of Transmittal

If you wish to participate in the exchange offer, delivery of your Household Notes, signature guarantees and other required documents are your responsibility. Delivery is not complete until the required items are actually received by the exchange agent or the Luxembourg exchange agent. If you mail these items, HSBC recommends that you:

- use registered mail properly insured with return receipt requested, and
- mail the required items sufficiently in advance of the expiration date with respect to the exchange offer to allow sufficient time to ensure timely delivery.

Except as otherwise provided below, all signatures on the letter of transmittal or a notice of withdrawal must be guaranteed by a recognised participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. Signatures on the letter of transmittal need not be guaranteed if:

- the letter of transmittal is signed by a participant in DTC whose name appears on a security position listing of DTC as the owner of the Household Notes and that registered holder has not completed the portion entitled “Special Issuance and Payment Instructions” or “Special Delivery Instructions” on the letter of transmittal, or
- the Household Notes are tendered for the account of a firm that is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc. or is a commercial bank or trust company having an office in the United States, each, an “eligible institution.” See Instruction 4 in the letter of transmittal.

Withdrawal of Tenders

Tenders of Household Notes in connection with the exchange offer may be withdrawn at any time prior to the early tender deadline. Tenders of Household Notes may not be withdrawn at any time after the early tender deadline. Tenders of notes made after the early tender deadline may not be withdrawn.

Beneficial owners desiring to withdraw Household Notes previously tendered should contact the DTC participant through which they hold their Household Notes. In order to withdraw Household Notes previously tendered, a DTC participant may, prior to the applicable early tender deadline, withdraw its instruction previously transmitted through ATOP by:

- withdrawing its acceptance through ATOP, or
- delivering to the exchange agent or the Luxembourg exchange agent by mail, hand delivery or facsimile transmission, notice of withdrawal of such instruction.

The notice of withdrawal must contain the name and number of the DTC participant. Withdrawal of a prior instruction will be effective upon receipt of the notice of withdrawal by the exchange agent or the Luxembourg exchange agent. All signatures on a notice of withdrawal must be guaranteed by a recognised participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program, except that signatures on the notice of withdrawal need not be guaranteed if the Household Notes being withdrawn are held for the account of an eligible institution. A withdrawal of an instruction must be executed by a DTC participant in the same manner as the DTC participant’s name appears on its transmission through ATOP to which the withdrawal relates. A DTC participant may withdraw a tender only if such withdrawal complies with the provisions described in this paragraph.

Withdrawals of tenders of Household Notes may not be rescinded and any Household Notes withdrawn will thereafter be deemed not validly tendered for the purposes of the exchange offer.

Properly withdrawn Household Notes, however, may be retendered by following the procedures described above at any time prior to the expiration of the exchange offer, provided, however, in order to receive the early tender payment, those Household Notes must be retendered prior to the early tender deadline of the exchange offer.

Notification in Luxembourg

On or prior to the commencement of the exchange offer and in addition to the notices described elsewhere in this offering memorandum, we will publish a notice in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) of such commencement setting forth:

- the period of time during which holders of the Household Notes may exchange such Household Notes for the HSBC Notes of the applicable series;
- the Luxembourg exchange agent for the exchange offer;
- the ability of holders of the Household Notes to receive documentation relating to the exchange offer from the Luxembourg exchange agent; and

- the procedures for the exchange offer.

After the exchange offer is completed, we will notify the Luxembourg Stock Exchange and publish a notice in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) of:

- the amount of each series of the Household Notes exchanged in the exchange offer;
- the amount of the HSBC Notes of each series issued in the exchange offer;
- the day upon which the exchange offer was closed; and
- the CUSIP numbers, the ISINs and Common Codes, as applicable, for each series of the HSBC Notes.

Miscellaneous

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Household Notes in connection with the exchange offer will be determined by HSBC, in its sole discretion, whose determination will be final and binding. HSBC reserves the absolute right to reject any or all tenders not in proper form or the acceptance for exchange of which may, in the opinion of counsel for HSBC, be unlawful. HSBC also reserves the absolute right to waive any defect or irregularity in the tender of any Household Notes in the exchange offer, and the interpretation by HSBC of the terms and conditions of its exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. None of HSBC, Household, the exchange agent, the Luxembourg exchange agent, the information agent, the dealer managers or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

Tenders of Household Notes involving any irregularities will not be deemed to have been made until those irregularities have been cured or waived. Household Notes received by the exchange agent in connection with any exchange offer that are not validly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the DTC participant who delivered those Household Notes by crediting an account maintained at DTC designated by that DTC participant as promptly as practicable after the expiration date or the withdrawal or termination of the exchange offer.

Transfer Taxes

HSBC will pay all transfer taxes, if any, applicable to the transfer and sale of Household Notes to HSBC in the exchange offer. If transfer taxes are imposed for any reason other than the transfer and sale of the Household Notes to HSBC, the amount of those transfer taxes, whether imposed on the registered holders or any other persons, will be payable by the tendering holder. Transfer taxes that will not be paid by HSBC include taxes, if any, imposed:

- if HSBC Notes in book-entry form are to be registered in the name of any person other than the person signing the letter of transmittal, or
- if tendered Household Notes are registered in the name of any person other than the person signing the letter of transmittal.

If satisfactory evidence of payment of or exemption from transfer taxes that are not required to be borne by HSBC is not submitted with the letter of transmittal, the amount of those transfer taxes will be billed directly to the tendering holder and/or withheld from any payments due with respect to the Household Notes tendered by that holder.

US Federal Backup Withholding

US federal income tax law requires that a holder of Household Notes, whose notes are accepted for

exchange, provide the exchange agent or the Luxembourg exchange agent, as payer, with the holder's correct taxpayer identification number or otherwise establish a basis for an exemption from backup withholding. This information should be provided on IRS Form W-9 in the case of a US holder described below. In the case of a holder who is an individual, including most resident aliens, this identification number is his or her social security number. For holders other than individuals, the identification number is an employer identification number. Exempt holders, including, among others, all corporations and certain foreign individuals, are not subject to these backup withholding and reporting requirements, but must establish that they are so exempt. If you do not provide the exchange agent or the Luxembourg exchange agent with your correct taxpayer identification number or an adequate basis for an exemption or a completed IRS Form W-8BEN ("Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding"), you may be subject to backup withholding and a penalty imposed by the IRS. Backup withholding is not an additional federal income tax. Rather, the amount of tax withheld will be credited against the federal income tax liability of the holder subject to backup withholding. If backup withholding results in an overpayment of taxes, you may obtain a refund from the IRS. You should consult with a tax advisor regarding qualifications for exemption from backup withholding and the procedure for obtaining the exemption. IRS forms may be obtained at the IRS website at www.irs.gov.

Exchange Agent

HSBC Bank USA, National Association, has been appointed the exchange agent for the exchange offer. Letters of transmittal and all correspondence in connection with the exchange offer should be sent or delivered by each holder of Household Notes, or a beneficial owner's custodian bank, depository, broker, trust company or other nominee, to the exchange agent at the addresses and telephone numbers set forth on the back cover page of this offering memorandum. HSBC will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable, out-of-pocket expenses in connection therewith. HSBC Holdings plc and HSBC Securities (USA) Inc., the dealer manager, are affiliates of the exchange agent.

Luxembourg Exchange Agent

Dexia Banque Internationale à Luxembourg, has been appointed the Luxembourg exchange agent for the exchange offer. We will maintain such appointment until completion or termination of the exchange offer. In Luxembourg, all services in connection with the exchange offer, including but not limited to acceptance of the exchange offer, delivery of cash, delivery of letters of transmittal and withdrawal of Household Notes tendered, are available through the Luxembourg exchange agent. You may contact the Luxembourg exchange agent for assistance in relation to the exchange offer.

Copies of this offering memorandum and the letter of transmittal will be available at the office of the Luxembourg exchange agent until such time. The address and telephone and facsimile numbers of the Luxembourg exchange agent are set forth on the back cover page of this offering memorandum.

Information Agent

Global Bondholder Services has been appointed as the information agent for the exchange offer, and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this offering memorandum or the letter of transmittal should be directed to the information agent at the address and telephone numbers set forth on the back cover page of this offering memorandum. Holders of Household Notes may also contact their custodian bank, depository, broker, trust company or other nominee for assistance concerning the exchange offer.

Dealer Managers

HSBC has retained J.P. Morgan Securities Inc. and HSBC Securities (USA) Inc. to act as dealer managers in connection with the exchange offer and will pay to the dealer managers for soliciting tenders in the exchange offer a customary percentage of the total principal amount outstanding of the Household Notes if the minimum tender condition is satisfied and the exchange offer is completed. HSBC will also reimburse the dealer managers for certain expenses. The obligations of the dealer managers to perform this

function are subject to certain conditions.

HSBC has agreed to indemnify the dealer managers against certain liabilities, including liabilities under the federal securities laws. Questions regarding the terms of the exchange offer may be directed to the dealer managers at the addresses and telephone numbers set forth on the back cover page of this offering memorandum.

From time to time, the dealer managers have provided, and may provide in the future, investment banking, commercial banking and other services for HSBC and Household. In addition, HSBC Holdings plc and the exchange agent are affiliates of HSBC Securities (USA) Inc. The dealer managers, in the ordinary course of their business, may make markets in our securities, including the Household Notes. As a result, from time to time, the dealer managers may own certain of our securities, including the Household Notes.

Other Fees and Expenses

HSBC will pay the expenses of soliciting tenders of the Household Notes. The principal solicitation is being made by mail; however, additional solicitations may be made by facsimile transmission, telephone or in person by the dealer managers and the information agent, as well as by officers and other employees of HSBC and its affiliates.

Tendering holders of Household Notes will not be required to pay any fee or commission to the dealer manager. However, if a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions.

DESCRIPTION OF DIFFERENCES BETWEEN THE HOUSEHOLD NOTES AND THE HSBC NOTES

The following is a summary comparison of the material terms of the Household Notes and the HSBC Notes. The HSBC 7.35% Notes and the HSBC 7.625% Notes will be governed by the HSBC Indenture which will be different from the indentures governing the Household Notes. The differences between material terms of these notes are described below, except for those differences arising from the issuance of the HSBC Notes in a transaction exempt from registration under the Securities Act. The Household Notes have been registered under the Securities Act and are not subject to transfer restrictions. However, the HSBC Notes, until exchanged for Unrestricted HSBC Notes, will be subject to transfer restrictions as described in "Transfer Restrictions." The summary does not purport to be complete and is qualified in its entirety by reference to the Household Indenture and the HSBC Indenture. Copies of those indentures are available from the information agent upon request.

The Household Notes	The HSBC Notes
Priority	Priority
The Household Notes constitute senior unsecured debt of Household.	The HSBC Notes constitute unsecured subordinated obligations of the Company.
Limitation on Liens	Limitation on Liens
The Household Indentures provide that Household will not issue, assume or guarantee any indebtedness, other than permitted liens listed below, secured by a mortgage, security interest, pledge or lien (together, "lien") on any of its property, unless the Household Notes are secured by such lien equally and ratably with all other indebtedness secured by such lien for so long as such other indebtedness is so secured.	No such limitation exists.
Such permitted liens include:	
• liens to secure the payment of the purchase price of property, shares of capital stock or indebtedness acquired by Household or the cost of construction or improvement of such property or the refinancing of such secured indebtedness; • liens on property, shares of capital stock, or indebtedness existing at the time of acquisition by Household; • liens on property of a corporation which lien exists at the time such corporation merges or consolidates with Household, or which lien exists at the time of the sale or transfer of all or substantially all of the assets of such corporation to Household; • liens to secure any indebtedness of Household to subsidiary; • liens on property of Household in favour of the United States of America or any state or agency or instrumentality thereof, or in favour of any other country or political subdivision, to secure payments pursuant to	

The Household Notes	The HSBC Notes
any contract or statute or to secure any indebtedness incurred or guaranteed for the purpose of financing the purchase price or the cost of construction of the property subject to such lien; • liens on properties financed through tax-exempt municipal obligations, provided that such lien is limited to the property so financed; • liens existing on the date of execution of the Household Indenture; • any extension, renewal, refunding, or replacement of any lien listed above; and • liens otherwise not permitted, up to 10% of Household's consolidated net worth.	
Additional Amounts	Additional Amounts
Household will pay additional interest on the Household Notes, if such additional amounts are necessary in order that the net payment of the principal of or interest on the Household Notes to a holder who is a non-United States person, after deduction for taxes or other governmental charges of the United States or a political subdivision or taxing authority thereof or therein, imposed as withholding, will not be less than the amount provided in the Household Notes to be then due and payable.	If deduction or withholding for taxes or other governmental charges are at any time required by the United Kingdom or any political subdivision or taxing authority thereof or therein, we will pay such additional amounts as necessary so that the net amounts paid to the holders of the HSBC Notes or the trustee, after such deduction or withholding, shall equal the respective amounts to which the holders of the HSBC Notes or the trustee would have been entitled, had no deduction or withholding been made.
However, such obligation to pay additional amounts does not apply to: • any tax or other governmental charge that is imposed or withheld solely by reason of the holder or a fiduciary, beneficiary or other associate of the holder (1) being or having been present or engaged in a trade of business in the United States or having or having had a permanent establishment in the United States, (2) having a current or former relationship with the United States, including as a citizen or resident thereof, (3) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organisation, (4) being or having been a "10% shareholder" of Household, (5) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into	However, such obligation does not apply to any such tax and other governmental charges, deduction or withholding specified in "Description of the HSBC Notes—Additional Amounts."

The Household Notes	The HSBC Notes
in the ordinary course of its trade or business, or (6) having made an election the effect of which is to make the payment of principal of or interest on the Household Notes subject to US federal income tax; • to any holder that is not the sole beneficial owner of the Household Notes, or portion thereof, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficiary or settlor with respect to the fiduciary or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment; • to any tax or other governmental charge that is imposed or withheld solely by reason of the failure of the holder or any other person to comply with certain certification, identification or information reporting requirements, if compliance is required by certain laws, regulations and treaty as a precondition to exemption from such tax or other governmental charge; • to any tax or other governmental charge that is imposed otherwise than by withholding by Household or a paying agent from the payment; • to any tax or other governmental charge that is imposed or withheld solely by reason of a change in law, regulations, or interpretation thereof that becomes effective more than the later of 15 days after the payment become due or is duly provided for; • to any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or similar governmental charge; • to any tax and other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any Household Notes, if such payment can be made without such withholding by any other paying agent; or • in the case of any combination of the above.	
Redemption Household may at its option redeem, as a whole, but not in part, the Household Notes on not less than 30	Redemption We may at our option redeem, as a whole but not in part, the HSBC Notes of any series on not less than

The Household Notes	The HSBC Notes
nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued but unpaid thereon to the date fixed for redemption, if, as a result of any change in the laws of the United States or any change in the official application or interpretation of such laws, regulations or rulings, Household becomes, or based upon a written opinion of Household's counsel, will become obligated to pay additional amounts.	30 nor more than 60 days notice, at a redemption price equal to 100% of their principal amount, together with accrued interest, if any, to the date fixed for redemption, if at any time, we determine that (1) we have or will or would become obligated to pay additional amounts as a result of a change in or amendment to the laws of the United Kingdom or any treaty to which the United Kingdom is a party, or any change in the official application or interpretation thereof, which change becomes effective on or after the date of issuance of the HSBC Notes, or (2) the payment of interest on the HSBC Notes of such series would be treated as a "distribution" within the meaning of Section 209 of the Income and Corporation Taxes Act 1988 of the United Kingdom as a result of a change in or amendment to the laws of the United Kingdom, or any change in the official application or interpretation of such laws, including a decision of any court, which change or amendment becomes effective on or after the date of issuance on the HSBC Notes.
Defaults and Events of Defaults	Defaults and Events of Defaults
The Household Indentures provide that each of the following will be an event of default: • default for 30 days in the payment of any interest; • default in the payment of any principal or premium; • default for 60 days after notice in the performance of any other covenant in the indenture; • certain defaults existing for 30 days after notice in the payment of principal or interest, or in the performance of other covenants, with respect to borrowed money under another indenture in which the trustee of the Household Notes is a trustee which results in the principal amount of such indebtedness becoming due and payable prior to maturity, which acceleration has not been rescinded or annulled; and • certain events of bankruptcy, insolvency or reorganisation.	Under the HSBC Indenture, it is an event of default only if (1) an order is made by an English court for winding up of the Company and such order is not successfully appealed within 30 days of the date of such order or (2) an effective resolution is validly adopted by our shareholders for our winding up. If an event of default occurs and is continuing with respect to the HSBC Notes of a series, the trustee may, and if so requested by the holder of at least 25% in principal amount of the outstanding HSBC Notes of affected series shall, declare the principal amount and any accrued and unpaid interest of all the HSBC Notes of such series due and payable immediately.
If an event of default with respect to the Household Notes of any series at the time outstanding occurs and is continuing, either the Trustee or the holders of not less than 25% in principal amount of the outstanding Household Notes of such series by notice may declare the principal amount of all the Household Notes of such series to be due and	Under the HSBC Indenture, it is a default, if (1) any installment of interest is not paid when due and such failure continues for 14 days, or (2) all or any part of the principal when due and payable is not paid and such failure continues for 7 days. However, if we do not pay any installment of interest on an interest payment date or all or any part of the principal due at maturity, the obligation to make such payment on such interest payment date or at maturity is deferred until (i) in the case of an interest payment, the date on which a dividend is paid on any class of our share capital and (ii) in the case of a principal payment, the first business day after the date that falls six months after the original payment date (each payment so deferred will accrue

The Household Notes	The HSBC Notes
Household Notes of such series to be due and payable immediately.	interest at the rate prevailing in accordance with the terms of such series of HSBC Notes immediately before the original payment date for such payment). Failure by us to make any such payment prior to such deferred date will not constitute a default by us or allow any holder to sue us for such payment or to take any other action. If a default occurs, the trustee may institute proceedings in England for our winding up provided that the trustee may not, upon the occurrence of a default, accelerate the maturity of the HSBC Notes of such series unless an event of default has occurred and is continuing. Notwithstanding the foregoing, failure to make any payment in respect of a series of the HSBC Notes will not be a default, if such payment is withheld or refused according to certain legal requirements or in case of doubt as to the validity or applicability of certain legal requirements.

DESCRIPTION OF THE HSBC NOTES

If the exchange offers are consummated, the HSBC Notes to be issued in exchange for the Household Notes will be issued under the HSBC Indenture with the Bank of New York as trustee. The HSBC Notes will be issued only in book-entry form in denominations of \$1,000 and integral multiples of \$1,000. The issuance of the HSBC Notes was authorized by the resolution of the Board of Directors of HSBC on 27 February 2004.

The following summary of some of the provisions of the HSBC Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”) and to all of the provisions of the HSBC Indenture, including the definitions of terms in the HSBC Indenture. The HSBC Indenture is subject to and governed by the Trust Indenture Act.

Copies of the HSBC Indenture may be obtained from the information agent or the Luxembourg exchange agent.

General

The HSBC 7.35% Notes will be limited in an aggregate principal amount to \$250,000,000 and will mature on 27 November 2032. The HSBC 7.625% Notes will be limited in an aggregate principal amount to \$627,495,000 and will mature on 17 May 2032. Interest on the HSBC 7.35% Notes will accrue at the rate of 7.35% per annum and will be payable semi-annually in arrears in cash on each 27 May and 27 November, commencing on 27 May 2005, to the Depository and, if definitive registered notes are issued, to the holders of record on the immediately preceding 12 May and 12 November, respectively. Each HSBC 7.35% Note will bear interest from 27 November 2004. Interest on the HSBC 7.625% Notes will accrue at the rate of 7.625% per annum and will be payable semi-annually in arrears in cash on each 17 May and 17 November, commencing on 17 May 2005, to the Depository and, if definitive registered notes are issued, to the holders of record on the immediately preceding 2 May and 2 November, respectively. Each HSBC 7.625% Note will bear interest from 17 November 2004. Any interest on the HSBC Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Under the HSBC Indenture, we may, without the consent of the holders of the HSBC Notes of a series, issue exchange notes (as that term is defined under “Registration Exchange Offer and Registration Rights”) of such series in the future. Each series of HSBC Notes offered by this offering memorandum and the exchange notes (if issued) will constitute a single class of debt securities under the HSBC Indenture. This means that, in the circumstances where the HSBC Indenture provides for the holders of debt securities of any series to vote or take any action, the HSBC Notes of such series and, if issued, the exchange notes of such series, will vote or take that action as a single class.

The HSBC Notes will be our direct and unsecured subordinated obligations.

Form, Settlement and Clearance

General. The HSBC Notes of a series issued in exchange for the corresponding series of Household Notes to “qualified institutional buyers” (“QIBs”), as defined in Rule 144A under the Securities Act, and to non-US persons, in reliance on Regulation S under the Securities Act, will be issued as Global Notes in bearer form and title to the Global Notes will pass by delivery.

The HSBC Notes of a series initially issued to QIBs will be evidenced by one or more permanent Rule 144A Global Notes (each a “144A Global Note”), which will be deposited on issue with a depository (the “Depository”), as appointed from time to time, which will hold the 144A Global Notes for the benefit of The Depository Trust Company or its nominee (“DTC”) and its participants pursuant to the terms of the deposit agreement (the “Deposit Agreement”) among us, the Depository and the holders and beneficial owners from time to time of the HSBC Notes.

The HSBC Notes of a series initially issued to persons who acquire such notes in compliance with Regulation S under the Securities Act will be evidenced by one or more permanent Regulation S Global Notes (each a “Regulation S Global Note” and, together with the 144A Global Notes, the “Global Notes”), which will be deposited on issue with the Depositary, which will hold the Regulation S Global Notes for the benefit of the DTC and its participants pursuant to the terms of the Deposit Agreement. Any resale or transfer of such interests to US persons (as that term is defined in Regulation S) during the restricted period (as defined below) shall only be permitted as described in this offering memorandum.

Pursuant to the Deposit Agreement, the Depositary will issue one or more certificateless depositary interests (“CDIs”) which together will represent a 100% interest in the underlying Global Notes. These CDIs will be issued to DTC, which will operate a book-entry system for the CDIs. Except as hereinafter set forth, the HSBC Notes will be available for purchase in book-entry form only. The Depositary or any successor depositary constitutes the “depositary” for the purposes of the HSBC Indenture.

Prior to the 40th day after the later of the commencement of the offering of the HSBC Notes and the date of the closing of the offering (through and including the 40th day, the “restricted period”), transfers by an owner of book-entry interests in the CDIs representing interests in the Regulation S Global Notes to a transferee who takes delivery of this interest through the 144A Global Notes will be made only in accordance with applicable procedures and upon delivery by the transferor of a written certification to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the restricted period.

Transfers by an owner of book-entry interests in the CDIs representing interests in the 144A Global Notes to a transferee who takes delivery of such interest through the Regulation S Global Notes will be made only upon delivery by the transferor of a written certification to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

QIBs may hold their book-entry interests in the CDIs representing interests in any of the 144A Global Notes directly through DTC, if they are participants in DTC, or indirectly through organisations that are participants. Transfers between participants will be effected in the ordinary way in accordance with DTC rules. Non-US Persons may initially hold their book-entry interests in the CDIs representing interests in any of the Regulation S Global Notes only through Clearstream Banking, société anonyme (“Clearstream”), or Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear System, as participants in DTC, either directly, if you are an account holder in Euroclear or Clearstream, or indirectly, through organisations which are account holders in Euroclear or Clearstream. After the expiration of the restricted period described above, but not earlier, you may also hold your interest in the CDIs representing interest in the Regulation S Global Note through organisations other than Euroclear and Clearstream that are participants in DTC. Euroclear and Clearstream will hold all interests in the relevant Regulation S Global Notes on behalf of their participants through DTC. Transfers between Euroclear participants and between Clearstream participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a 144A Global Note will, cease to be represented by a Regulation S Global Note and will become represented by a 144A Global Note and, accordingly, will be subject to the procedures applicable to beneficial interests in a 144A Global Note for as long as it remains such an interest. Any beneficial interest in a 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be represented by a 144A Global Note and will become represented by a Regulation S Global Note and, accordingly, will be subject to the procedures applicable to beneficial interests in a Regulation S Global Note for as long as it remains such an interest.

Ownership of interests in the CDIs will be limited to persons that have accounts with DTC or persons that hold interests through such DTC participants. Ownership of CDIs will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC (with respect to interests of

participants), or by participants or persons that may hold interests through such participants (with respect to persons other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability of such purchasers to own, transfer or pledge CDIs or interests therein.

As long as the Depositary is the holder of a Global Note, the Depositary will be considered the sole holder of such Global Note for all purposes under the HSBC Indenture. Accordingly, each person owning an interest in CDIs must rely on the procedures of the Depositary and DTC and on the procedures of the DTC Participant through which such person owns its interest to exercise any rights and obligations of a holder under the HSBC Indenture or the Deposit Agreement. See “—Action by Holders of Debt Securities.”

DTC has advised us that: DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of which, along with certain of their representatives and others, own DTC. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Clearstream has advised us that it is incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Deutsche Börse AG. The shareholders of Deutsche Börse AG are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in a number of countries through established depository and custodial relationships. Clearstream has established an electronic bridge with Euroclear, to facilitate the settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector and the Luxembourg Central Bank. Clearstream customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks, and may include the dealer managers for this exchange offer. Other institutions that maintain a custodial relationship with a Clearstream account holder may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC. Distributions received by Clearstream with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures.

The Euroclear System has advised us that it was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfer of securities and cash.

Euroclear holds securities and book-entry interests in securities for participating organisations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic

book-entry changes in accounts of such participants or other securities intermediaries.

Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants include investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organisations. Certain of the dealer managers for this exchange offer, or other financial entities involved in this exchange offer, may be Euroclear participants.

Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

Euroclear is a Belgian bank. The Belgian Banking Commission and the National Bank of Belgium regulate and examine Euroclear.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with Euroclear. Specifically, these terms and conditions govern:

- Transfers of securities and cash within the Euroclear System;
- Withdrawals of securities and cash from the Euroclear System; and
- Receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants. Distributions received by Euroclear with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

Payments on the Global Notes. Payments of any amounts in respect of the Global Notes will be made through a paying agent to the Depositary. The Depositary will pay this amount to DTC, which will distribute such payments to its participants. All such payments will be distributed without deduction or withholding for any UK taxes or other governmental charges, or if any such deduction or withholding is required to be made under the provisions of any applicable UK law or regulation, then, except as described under “—Additional Amounts,” such additional amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes and by the owners CDIs, after such deduction or withholding, will equal the net amounts that such holder or owners would have otherwise received in respect of the Global Notes or the CDIs, as the case may be, if such deduction or withholding had not been made. DTC, upon receipt of any such payment, will immediately credit participants’ accounts with payments in amounts proportionate to their respective ownership of the CDIs of such series, as shown on the records of DTC. We expect that payments by participants to owners of the CDIs of such series held through such participants will be governed by standing customer instructions and customary practices and will be the responsibility of such participants.

None of HSBC, the trustee, the Depositary or any of their agents will have any responsibility or liability for any aspect of the records relating to or payments made by DTC on account of a participant's ownership of interests in the CDIs or for maintaining, supervising or reviewing any records relating to a participant's interests in the CDIs.

Redemption. In the event a Global Note (or any portion thereof) of any series is redeemed, the Depositary will redeem, from the amount received by it in respect of the redemption of the Global Note, an

equal amount of the CDIs. The redemption price payable in connection with the redemption of the CDIs will be equal to the amount received by the Depositary in connection with the redemption of the Global Note (or any part of a Global Note).

Action by Holders of Debt Securities. We understand that under existing industry practices, if we request any action of holders of HSBC Notes or if an owner of a CDI desires to give or take any action that a holder is entitled to give or take under the HSBC Indenture or the owner of a CDI is entitled to give or take under the Deposit Agreement, DTC would authorise the participants owning the relevant CDIs to give or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of owners holding through them.

As soon as practicable after receipt by the Depositary of notice of any solicitation of consents or request for a waiver or other action by the holders of HSBC Notes, the Depositary will mail to DTC a notice containing:

- such information as is contained in the notice received from us;
- a statement that at the close of business on a specified record date DTC will be entitled, subject to the provisions of or governing CDIs representing the HSBC Notes or the HSBC Notes of the relevant series, to instruct the Depositary as to the consent, waiver or other action, if any, pertaining to the HSBC Notes; and
- a statement as to the manner in which such instructions may be given.

Upon the written request of DTC, the Depositary shall endeavor to take such action regarding the requested consent, waiver or other action in respect of the HSBC Notes in accordance with any instructions set forth in such request. DTC is expected to follow the procedures described above with respect to soliciting instructions from its participants. The Depositary will not exercise any discretion in the granting of consents or waivers or the taking of any other action relating to the Deposit Agreement, the DTC agreement or the HSBC Indenture.

Reports. The Depositary will as promptly as practicable send to DTC a copy of any notices, reports and other communications received by it as holder of the HSBC Notes from us or the trustee.

Amendment and Termination. The Deposit Agreement may be amended by agreement between us and the Depositary and the consent of DTC or the owners of CDIs shall not be required in connection with any amendment to the Deposit Agreement:

- to cure any ambiguity, omission, defect or inconsistency in the Deposit Agreement;
- to add to our covenants and agreements or those of the Depositary;
- to evidence or effect the assignment of the Depositary's rights and duties to a qualified successor;
- to comply with the Securities Act, the Exchange Act, the US Investment Company Act of 1940, as amended, the Trust Indenture Act or any other applicable law, rule or regulation; and
- to modify, alter, amend or supplement the Deposit Agreement in any other manner that is not adverse to DTC or the owners of CDIs.

No amendment that adversely affects DTC may be made to the Deposit Agreement without the consent of DTC.

If we issue definitive notes in exchange for the entire Global Notes of a series, the Depositary will surrender the Global Notes of the relevant series against receipt of the definitive notes, distribute the

definitive notes to the persons and in the amounts as specified by DTC and the Deposit Agreement will terminate with respect to such series of HSBC Notes. The Deposit Agreement may also be terminated upon the resignation of the Depositary if no successor has been appointed within 90 days as set forth under “—Resignation of Depositary” below. Any definitive notes will be issued in accordance with the provisions described under “—Definitive Notes” below.

Resignation of Depositary. The Depositary may at any time resign. If a successor depositary is appointed in accordance with the Deposit Agreement, upon our request or request of the successor, the retiring Depositary must, subject to certain conditions, deliver the Global Notes to that successor. If no such successor has so agreed within 90 days, the Depositary may petition court for the appointment of a successor unless definitive notes have been issued in accordance with the HSBC Indenture, DTC or the Depositary.

Settlement. Initial settlement for the HSBC Notes and settlement of any secondary market trades in the HSBC Notes will be made in same-day funds. DTC, Clearstream and Euroclear, as applicable, have advised us as follows: 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 customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its respective depositary. However, a cross-market transfer will require delivery of instructions to the relevant European clearing system, by the counterparty in such European international clearing system, in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving notes in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositaries for Clearstream and Euroclear.

Because of time-zone differences, credits of notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Credits or any transactions of the type described above settled during subsequent securities settlement processing will be reported to the relevant Euroclear or Clearstream participants on the business day that the processing occurs. Cash received in Clearstream or Euroclear as a result of sales of notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures. The foregoing procedures may be changed or discontinued at any time.

Definitive Notes. Owners of beneficial interests in the CDIs or the HSBC Notes will be entitled to receive definitive notes in registered form in respect of such interest if (1) (i) DTC notifies the Depositary in writing that it is unwilling to or unable to continue as a depositary for the CDIs of such series or the HSBC Notes, or (ii) if at any time DTC ceases to be eligible as a “clearing agency” registered under the Exchange Act or we become aware of such ineligibility and, in either case, a successor is not appointed by the Depositary within 90 days or (2) an Event of Default has occurred and is continuing and the registrar has received a request from the Depositary or DTC, as the case may be.

Definitive registered notes will be issued in denominations of \$1,000 or integral multiples of \$1,000 and will be issued in registered form. Such definitive notes shall be registered in the name or names of such person or persons as the Depositary shall notify the trustee based on the instructions of DTC.

Payments of principal and interest on the definitive registered notes may be made through the offices of the paying agent in Luxembourg. Distributions of principal and interest on the definitive registered notes will be made to the holders of record on the applicable record date as described in “—General.” Distributions will be made by wire, transfer or by cheque mailed to the address of such noteholder as it appears on the register.

In the case of a transfer or exchange of definitive registered notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such notes at, and obtaining new definitive registered notes from, the offices of the Luxembourg Transfer Agent. In the case of a transfer of only a part of a definitive registered note, a new definitive registered note in respect of the balance of the principal amount of the definitive registered note not transferred will be delivered to the offices of the Luxembourg Transfer Agent, and in the case of any lost, stolen, mutilated or destroyed definitive registered note, a holder thereof may obtain a new definitive registered note from the Luxembourg Transfer Agent.

Payments

Subject to the following paragraph, if we do not make a payment with respect to any series of HSBC Note on any payment date, our obligation to make such payment with respect to HSBC Notes of such series will be deferred until (and the payment will not be due and payable until):

- in the case of a payment of interest, the date on which a dividend is paid on any class of our share capital; and
- in the case of a payment of principal, the first business day after the date that falls six months after the original payment date.

Failure by us to make any such payment prior to such deferred date will not constitute a default by us or allow any holder to sue us for such payment or take any other action. Each payment so deferred will accrue interest at the rate prevailing in accordance with the terms of such series of HSBC Notes immediately before the original payment date for such payment. Any payment so deferred will not be treated as due for any purpose (including, without limitation, for the purposes of ascertaining whether or not an event of default has occurred) until the relevant deferred date. The term “business day” means a weekday that is not a day on which banking institutions are authorised or obligated by law or executive order to close in any jurisdiction in which payments with respect to the HSBC Note of such series are payable.

Any money deposited with the trustee or any paying agent, or then held by HSBC, in trust for the payment of any principal of or interest on the HSBC Notes that is unclaimed for two years after such principal or interest has become due and payable will be paid to HSBC or, if then held by HSBC, will be discharged from such trust.

Subordination

The HSBC Indenture provides that the rights of holders of the HSBC Notes will, in the event of our winding up, be subordinated in right of payment to claims of our depositors and all our other creditors other than claims which are by their terms, or are expressed to be, subordinated to the claims of all or any of the creditors of the Company. The subordination provisions of the HSBC Indenture, to which the HSBC Notes are subject, are governed by English law.

The HSBC Indenture also provides that holders of the HSBC Notes and the trustee, by their acceptance of the HSBC Notes, will be deemed to have waived any right of set-off or counterclaim that they might

otherwise have in respect of any claims to payment of principal, premium, or interest in respect of the HSBC Notes.

Additional Amounts

All amounts of principal of and interest and related deferred payments and missed payments on the HSBC Notes of any series will be paid by us without deducting or withholding any present and future taxes, levies, imposts, duties, charges, fees, deductions, or withholdings whatsoever imposed, levied, collected, withheld or assessed by or for the account of the United Kingdom or any political subdivision or taxing authority thereof or therein, or if such deduction or withholding shall at any time be required by the United Kingdom or any such subdivision or authority, we will pay such additional amounts as may be necessary so that the net amounts paid to the holders of the HSBC Notes or the trustee, after such deduction or withholding, shall equal the respective amounts to which the holders of the HSBC Notes or the trustee would have been entitled had no deduction or withholding been made, provided that the foregoing will not apply to any such tax, levy, impost, duty, charge, fee, deduction or withholding which:

- would not be payable or due but for the fact that the holder or beneficial owner of the HSBC Notes is domiciled in, or is a national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the United Kingdom or such political subdivision, or otherwise has some connection or former connection with the United Kingdom or such political subdivision other than the holding or ownership of the HSBC Notes, or the collection of principal, premium, if any, interest and related deferred payments and missed payments on, or the enforcement of the HSBC Notes; or
- would not be payable or due but for the fact that the HSBC Notes or payment of interest or related deferred payments or missed payments in respect of the HSBC Notes (i) is presented for payment in the United Kingdom or (ii) is presented for payment more than 30 days after the date such payment became due or was provided for, whichever is later, except to the extent that the holder would have been entitled to such additional amount on presenting the same for payment at the close of such 30-day period; or
- is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- would not have been imposed if presentation for payment of the HSBC Notes had been made to a paying agent other than the paying agent to which the presentation was made; or
- is imposed because of the failure to comply by the holder or the beneficial owner of the HSBC Notes or the beneficial owner of any payment on HSBC Notes with a request from us addressed to the holder or the beneficial owner, including a request from us related to a claim for relief under any applicable double tax treaty:
 - (a) to provide information concerning the nationality, residence, identity or connection with a taxing jurisdiction of the holder or the beneficial owner; or
 - (b) to make any declaration or other similar claim to satisfy any information or reporting requirement,

if the information or declaration is required or imposed by a statute, treaty, regulation, ruling or administrative practice of the taxing jurisdiction as a precondition to exemption from withholding or deduction of all or part of the tax, duty, assessment or other governmental charge; or

- is imposed in respect of any estate, inheritance, gift, sale, transfer, personal property, wealth or

similar tax, duty assessment or other governmental charge; or

- is imposed in respect any combination of the above items.

We have agreed in the HSBC Indenture that at least one paying agent will be located outside the United Kingdom. We undertake that, if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force, we will ensure that we maintain a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to such Directive

References in this offering memorandum to principal of and interest on the HSBC Notes shall be deemed also to refer to any additional amounts which may be payable under the foregoing provisions.

Redemption

The HSBC 7.35% Notes will mature on 27 November 2032. The HSBC 7.625% Notes will mature on 17 May 2032. The HSBC Notes of any series, however, may be redeemed, in whole but not in part, at our option, on not less than 30 and not more than 60 days' notice, at any time at a redemption price equal to 100% of the principal amount, together with accrued interest, if any, to the date fixed for redemption, if, at any time, we determine that:

- (a) in making payment under the HSBC Notes of such series in respect of principal, interest or related deferred payment or missed payment we have or will or would become obligated to pay additional amounts as provided in the HSBC Indenture and as described under "—Additional Amounts" above as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or taxing authority thereof or therein affecting taxation, or change in the official application or interpretation of such laws, or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the date of issuance of the HSBC Notes; or
- (b) the payment of interest in respect of the HSBC Notes of such series would be treated as a "distribution" within the meaning of Section 209 of the Income and Corporation Taxes Act 1988 of the United Kingdom (or any statutory modification or reenactment thereof for the time being) as a result of a change in or amendment to the laws of the United Kingdom or any such political subdivision or tax authority, or any change in the official application or interpretation of such laws, including a decision of any court, which change or amendment becomes effective on or after the date of issuance of the HSBC Notes;

provided, however, that, in the case of (a) above, no notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts were a payment in respect of such debt securities then due.

We and any of our subsidiary undertakings may, in accordance with applicable law, repurchase the HSBC Notes for our or their account. Under the practices of the Financial Services Authority, (the "FSA") at the date of this offering memorandum, any optional tax redemption and any other optional redemption or repurchase requires the prior consent of the FSA.

Modification and Waiver

Modifications of and amendments to the HSBC Indenture affecting the HSBC Notes of a series may be made by us and the trustee, without the consent of the holders of the HSBC Notes of such series for certain purposes and otherwise with the consent of the holders of a majority in principal amount of the HSBC Notes of such series then outstanding; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding HSBC Note affected thereby:

- change the stated maturity of the principal of, or any installment of interest or additional amounts payable on, any HSBC Note of such series;
- reduce the principal amount, including the amount of any interest or any related deferred payment, missed payment or the rate of interest on any of the foregoing, on redemption of, or additional amounts payable on, any HSBC Note of such series;
- except as permitted by the HSBC Indenture, change our obligation to pay additional amounts;
- change the place of payment or currency in which any payment of the principal, any interest or any related deferred payment or missed payment is payable on any HSBC Note of such series, or the rate of interest on any of the foregoing;
- impair the right to institute suit for the enforcement of any payment on or with respect to any HSBC Note of such series;
- reduce the percentage of the aggregate principal amount of the outstanding HSBC Notes of such series, the consent of whose holders is required for any such modification or amendment, or the consent of the holders of which is required for waiver of compliance with certain provisions of the HSBC Indenture or waiver of certain defaults, as provided in the HSBC Indenture;
- change any of the provisions relating to modifications of and amendments to the HSBC Indenture, waivers of past defaults, or waivers of certain covenants except to increase the relevant percentages or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of all holders of the HSBC Notes of such series;
- change any of our obligations to maintain an office or agency in the places and for the purposes required by the HSBC Indenture;
- change the subordination provisions in any manner adverse to the interests of the holders of any series of the HSBC Notes; or
- modify or affect in any manner adverse to the interests of the holders of the HSBC Notes of such series the terms and conditions of our obligations regarding the due and punctual payment of the principal, interest, any deferred payment or missed payment or the rate of interest on any of the foregoing.

The holders of not less than a majority in principal amount of the outstanding HSBC Notes of a series may, on behalf of all holders of the HSBC Notes of that series, waive our compliance with certain restrictive provisions of the HSBC Indenture before the time for such compliance. The holders of not less than a majority in aggregate principal amount of the outstanding HSBC Notes of a series may, on behalf of all holders of the HSBC Notes of that series, waive any past event of default or default under the HSBC Indenture, except a default in the payment of any principal of or any installment of interest or related deferred payment or missed payment on the HSBC Notes of that series and except for a default in respect of a covenant or provision, the modification or amendment of which would require the consent of the holder of each HSBC Note of that series.

In addition, material variations in the terms and conditions of the HSBC Notes, including modifications relating to subordination, redemption and events of default may require the consent of the FSA.

Defaults and Event of Default

Subject to certain exceptions, it shall be an event of default only if an order is made by an English court which is not successfully appealed within 30 days after the date such order was made for our winding

up or an effective resolution is validly adopted by our shareholders for our winding up. If an event of default occurs and is continuing with respect to the HSBC Notes of a series, the trustee may, and if so requested by the holders of at least 25% in principal amount of the outstanding HSBC Notes of such series shall, declare the principal amount thereof together with accrued but unpaid interest thereon due and payable immediately; provided that after such declaration, but before a judgment or decree based on such declaration has been obtained, the holders of a majority in principal amount of the outstanding HSBC Notes of such series may (under certain circumstances) rescind and annul such declaration.

Subject to the paragraph below relating to circumstances in which a relevant failure will not be a default, it shall be a default if:

- any installment of interest is not paid when due and such failure continues for 14 days; or
- all or any part of the principal as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise, is not paid and such failure continues for 7 days;

provided that, if we do not pay any instalment of interest on an interest payment date or all or any part of the principal at maturity, the obligation to make such payment on such interest payment date or maturity, as the case may be, shall be deferred until (i) in the case of a payment of interest, the date on which a dividend is paid on any class of our share capital and (ii) in the case of a payment of principal, the first business day after the date that falls six months after the original payment date. Failure by us to make any such payment prior to such deferred date will not constitute a default by us or allow any holder to sue us for such payment or to take any other action. Any payment so deferred will not be treated as due for any purpose (including, without limitation, for the purposes of ascertaining whether or not a default has occurred) until the relevant deferred date.

If a default occurs, the trustee may institute proceedings in England (but not elsewhere) for our winding up provided that the trustee may not, upon the occurrence of a default, accelerate the maturity of the HSBC Notes of such series unless an event of default has occurred and is continuing.

Notwithstanding the foregoing, failure to make any payment in respect of a series of the HSBC Notes shall not be a default if such payment is withheld or refused

- in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment; or
- in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given as to such validity or applicability at any time during the said grace period of 14 days, 30 business days, 7 days or 7 business days, as the case may be, by independent legal advisers acceptable to the trustee;

provided, however, that the trustee may, by notice to us, require us to take such action (including but not limited to proceedings for a declaration by a court of competent jurisdiction) as the trustee may be advised in an opinion of counsel, upon which opinion the trustee may conclusively rely, is appropriate and reasonable in the circumstances to resolve such doubt, in which case, we shall forthwith take and expeditiously proceed with such action and shall be bound by any final resolution of the doubt resulting therefrom. If any such resolution determines that the relevant payment can be made without violating any applicable law, regulation or order then the preceding sentence shall cease to have effect and the payment shall become due and payable on the expiration of the relevant grace period of 14 days, 30 business days, 7 days or 7 business days, as the case may be, after the trustee gives written notice to us informing us of such resolution.

After the end of each fiscal year, we will furnish to the trustee a certificate of certain officers as to the absence of an event of default, or a default under the HSBC Indenture as the case may be, specifying any such default.

No remedy against us other than as specifically provided by the HSBC Indenture shall be available to the trustee or the holders of the HSBC Notes whether for the recovery of amounts owing in respect of such notes or under the HSBC Indenture or in respect of any breach by us of any obligation, condition or provision under the HSBC Indenture or such notes or otherwise, and no holder of the HSBC Notes will have any right to institute any proceeding with respect to the HSBC Indenture, the HSBC Notes or for any remedy thereunder, unless such holder shall have previously given to the trustee written notice of a continuing event of default or default and unless also the holders of not less than a majority in aggregate principal amount of the outstanding HSBC Notes of such series shall have made written request to the trustee to institute such proceedings as trustee, and the trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding HSBC Notes of such series direction inconsistent with such request and the trustee shall have failed to institute such proceeding within 60 days.

Subject to the provisions of the HSBC Indenture relating to the duties of the trustee, in case an event of default or default shall occur and be continuing with respect to HSBC Notes of a series, the trustee will be under no obligation to any of the holders of the HSBC Notes of such series, including without limitation to take any of the actions referred to above, unless such holders shall have offered to the trustee indemnity satisfactory to the trustee. Subject to such provisions for the indemnification of the trustee, and subject to certain exceptions, the holders of a majority in aggregate principal amount of the outstanding HSBC Notes of a series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the HSBC Notes of such series.

The HSBC Indenture provides that the trustee will, within 90 days after the occurrence of an event of default or default, give to the holders of the affected HSBC Notes notice of such event of default or default, unless such event of default or default shall have been cured or waived, provided that, the trustee will be protected in withholding such notice if it reasonably determines that the withholding of such notice is in the interest of such holders.

Notwithstanding anything to the contrary in this offering memorandum, nothing will impair the right of a holder (absent the consent of such holder) to institute suit for any payments due but unpaid with respect to its HSBC Notes.

Consolidation, Merger and Sale of Assets

We may, without the consent of the holders of the HSBC Notes, consolidate or amalgamate with, or merge into, any corporation, or convey, sell, transfer or lease our properties and assets substantially as an entirety to any person, provided that:

- any successor corporation expressly assumes our obligations under the HSBC Notes and the HSBC Indenture and, if applicable, the provision for payment of additional amounts for withholding taxes are amended to include the jurisdiction of incorporation of the successor corporation;
- immediately after giving effect to the transaction and treating any indebtedness that becomes our obligation as a result of such transaction as having been incurred by us at the time of the transaction, no event of default or default, and no event that, after notice or lapse of time, or both, would become an event of default or a default, shall have occurred and be continuing; and
- certain other conditions are satisfied.

Assumption of Obligations

With respect to the HSBC Notes of a series, a holding company of us or any of our subsidiary undertakings may assume our obligations (or those of any corporation which shall have previously assumed our obligations); provided, that:

- the successor entity expressly assumes such obligations by an amendment to the HSBC Indenture, in a form satisfactory to the trustee, and we shall, by an amendment to the HSBC Indenture, unconditionally guarantee all of such successor entity's obligations under the HSBC Notes of such series and the HSBC Indenture, as so modified by such amendment (provided, however, that, for the purposes of our obligation to pay additional amounts as provided, and subject to the limitations as set forth, in the HSBC Indenture and as described under the section headed "—Additional Amounts" above, references to such successor entity's country of organisation will be added to the references to the United Kingdom);
- the successor entity confirms in such amendment to the HSBC Indenture that the successor entity will pay to the holders such additional amounts as provided by, and subject to the limitations set forth in, the HSBC Indenture and as described under the section headed "—Additional Amounts" above (provided, however, that for these purposes such successor entity's country of organisation will be substituted for the references to the United Kingdom); and
- immediately after giving effect to such assumption of obligations, no event of default or default and no event which, after notice or lapse of time or both, would become an event of default or default shall have occurred and be continuing.

Upon any such assumption, the successor entity will succeed to, and be substituted for, and may exercise all of our rights and powers under the HSBC Indenture with respect to the HSBC Notes of such series with the same effect as if the successor entity had been named under the HSBC Indenture.

Concerning the Trustee

The Bank of New York is the trustee under the HSBC Indenture. HSBC will appoint HSBC Bank USA, National Association, as registrar and paying agent with regard to the HSBC Notes. HSBC will appoint Dexia Banque Internationale à Luxembourg, Société Anonyme as Luxembourg paying agent and Luxembourg transfer agent with regard to the HSBC Notes.

Except during the continuance of an event of default or a default, the trustee will only be liable for performing those duties specifically set forth in the HSBC Indenture. In the event that an event of default or default occurs (and is not cured or waived), the trustee will be required to exercise its power with the degree of care and skill of a prudent person in the conduct of such person's own affairs.

The trustee may be removed at any time with respect to the HSBC Notes of a series with a notice delivered to the trustee and HSBC by the holders of a majority in aggregate principal amount of the HSBC Notes of the relevant series. In case of such removal with respect to the HSBC Notes of a series, HSBC will promptly appoint a successor trustee with respect to the HSBC Notes of that series. Within one year of such removal, the holders of a majority in aggregate principal amount of the HSBC Notes of the relevant series may appoint a successor trustee with respect to the HSBC Notes of the relevant series, and to that extent, such successor trustee will supersede the successor trustee appointed by HSBC.

Governing Law

Except as stated above, the HSBC Indenture and the HSBC Notes will be governed by and construed in accordance with the laws of the State of New York. See "—Subordination."

Jurisdiction; Consent to Service

We have consented to the jurisdiction of the courts of the State of New York and the US courts located in the City of New York with respect to any action that may be brought in connection with the HSBC Indenture or the HSBC Notes and have appointed HSBC Bank USA, National Association, as agent for service of process thereunder.

CERTAIN TAX CONSIDERATIONS

Certain US Federal Income Tax Considerations

The following is a summary of certain US federal income tax consequences of the exchange offer, and the acquisition, ownership and disposition of the HSBC Notes received pursuant to the exchange offer that may be relevant to a beneficial owner of the Household Notes or HSBC Notes that is a citizen or resident of the United States or a domestic corporation or otherwise subject to US federal income tax on a net income basis in respect of its investment in the Notes (a “US holder”). This summary deals only with US holders that hold Household Notes and HSBC Notes as capital assets. It does not address tax considerations that may be relevant to US holders subject to special tax rules, such as a bank, thrift, real estate investment trust, tax-exempt organisation, regulated investment company, life insurance company, dealer or trader in securities, currencies or commodities, trader in securities that makes a mark-to-market election with respect to the Household Notes or HSBC Notes, a person that holds Household Notes or will hold HSBC Notes as a hedge against interest rate or currency risk or as a position in a “straddle” or conversion transaction or other integrated investment or a person whose “functional currency” is not the US dollar. This summary is based on laws, regulations, rulings and decisions in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect. No assurances can be given that any such changes will not affect the accuracy of the discussion set forth herein.

You should consult your own tax advisors in determining the tax treatment of the exchange offer and of the acquisition, ownership and disposition of HSBC Notes, including the relevance to your particular situation of the tax considerations discussed below and of any relevant state, local or other tax laws.

Tax Consequences of the Exchange Offer

The exchange of Household Notes for HSBC Notes pursuant to the exchange offer will be a taxable transaction for US federal income tax purposes. Accordingly, if you tender your Household Notes, you will generally recognise gain or loss equal to the difference between the amount realised on the exchange (less any accrued interest, which will be subject to taxation as ordinary interest income) and your adjusted basis in the Household Notes. The amount realised on the exchange will be the issue price, determined in the manner discussed below, of the HSBC Notes that you receive increased by early tender payments received. Your initial basis in the Household Notes generally will equal the cost of the Household Notes to you. Your basis in the Household Notes may have been adjusted prior to the exchange to take account of the market discount or bond premium. Your gain or loss will generally be capital gain or loss except for gain attributable to accrued market discount on the Household Notes that has not previously been included in gross income, and will be long-term gain or loss if the Household Notes have been held for more than one year at the time of the exchange. Certain US holders (including individuals) are eligible for preferential rates of US federal income taxation in respect of long-term capital gains. The ability of a US holder to deduct a capital loss is subject to limitations.

Because we believe that a substantial amount of the HSBC Notes will be “traded on an established market” (generally meaning that the HSBC Notes are listed on a major securities exchange, appear on a quotation medium of general circulation or otherwise are readily quotable by dealers, brokers or traders) during the 60-day period ending 30 days after the date of the exchange of the Household Notes for the HSBC Notes (“publicly traded”), we intend to take the position that the initial issue price of the HSBC Notes will equal their fair market value at the time of the exchange. If the HSBC Notes are not publicly traded, but the Household Notes are publicly traded, then the initial issue price of the HSBC Notes would equal the fair market value of the Household Notes at the time of the exchange, less the amount of the early tender payment. If neither the Household Notes nor the HSBC Notes are publicly traded, then the initial issue price of the HSBC Notes would equal their stated principal amount.

Backup Withholding. A US holder who tenders its Household Notes may be subject to backup withholding on payments received unless such holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact, or (ii) provides a correct taxpayer identification number on a validly completed and duly executed IRS Form W-9, certifies as to no loss of exemption from backup

withholding and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld under these rules will be allowed as a credit against such US holder's federal income tax liability and may entitle such US Holder to a refund, provided that all the required information is furnished to the IRS.

Non-US Holders. A beneficial owner of a Household Note that is a non-resident alien individual or foreign corporation (a "Non-US holder") will not be subject to US federal income or withholding tax on the proceeds from the exchange offer, including amounts treated as accrued interest, provided that such Non-US holder (a) does not actually or constructively own 10% or more of the combined voting power of all classes of Household stock and is not a controlled foreign corporation related to Household through stock ownership, and (b) has provided a properly completed IRS form W-8BEN establishing its status as a Non-US holder (or satisfies certain documentary evidence requirements for establishing that it is a Non-US holder), unless (i) the gain or interest income on such Household Note is effectively connected with the conduct by the Non-US holder of a trade or business in the United States or (ii) in the case of gain realised by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the offer and either (A) such gain is attributable to an office or other fixed place of business maintained in the United States by such holder or (B) such holder has a tax home in the United States.

Taxation of the HSBC Notes

Interest on the HSBC Notes. Payments or accruals of interest on the HSBC Notes generally will be taxable to you as ordinary interest income from foreign sources at the time that you receive or accrue such amounts (in accordance with your regular method of accounting for US federal income tax purposes). The portion of the first interest payment made on the HSBC Notes following the exchange offer that is attributable to accrued interest on the Household Notes should not be taxed as income but as a return of basis on the HSBC Notes.

Premium on the HSBC Notes. If the issue price of the HSBC Note is greater than the note's remaining redemption amount, you will be considered to have purchased the HSBC Note at a premium, and you may elect to amortise the premium as an offset to interest income, using a constant yield method, over the remaining term of the note. If you make this election, it generally will apply to all debt instruments that you hold at the time of the election, as well as any debt instruments that you subsequently acquire. In addition, you may not revoke the election without the consent of the IRS. If you elect to amortise the premium, you will be required to reduce your tax basis in the HSBC Note by the amount of the premium amortised during your holding period. If you do not elect to amortise premium, the amount of premium will be included in your tax basis in the HSBC Note. Therefore, if you do not elect to amortise premium and you hold the HSBC Note to maturity, you generally will be required to treat the premium as capital loss when the note matures.

Sale, Exchange or Retirement of the HSBC Notes. Upon the sale, exchange or retirement of a HSBC note, you will generally recognise gain or loss equal to the difference between the sale or redemption proceeds (less any accrued interest, which will be subject to taxation as ordinary interest income) and your adjusted tax basis in the note. Your initial tax basis will generally equal the issue price for the HSBC Notes, as discussed above. Your basis will decrease by the amount of any amortised premium. Gain or loss realised on the sale, exchange or retirement of a HSBC Note will generally be capital gain or loss and will be long-term capital gain or loss if that security is held for more than one year. Certain US holders (including individuals) are eligible for preferential rates of US federal income taxation in respect of long-term capital gains. The ability of a US holder to deduct a capital loss is subject to limitations.

Information Reporting and Backup Withholding. Payments in respect of the HSBC Notes that are made within the United States or through certain US-related financial intermediaries are subject to information reporting and may be subject to backup withholding at a current rate of 28% unless such holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact, or (ii) provides a correct taxpayer identification number on an IRS Form W-9, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under these rules will be allowed as a credit against such US holder's federal

income tax liability and may entitle such US Holder to a refund, provided that the required information is furnished to the IRS.

United Kingdom Taxation Considerations

This section discusses certain UK tax consequences of the ownership of the HSBC Notes. This discussion applies to you only if you:

- are not resident (or, in the case of individuals only, not ordinarily resident) in the United Kingdom for UK tax purposes at any time; and
- do not carry on a trade, profession or vocation in the United Kingdom through a UK permanent establishment (or, in the case of individuals only, through a branch or agency) to which the holding of the HSBC Notes is attributable.

This section does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor. In particular, the summary below does not deal with the position of certain classes of holders of HSBC Notes, such as dealers, and relates only to those persons who are the absolute beneficial owners of the HSBC Notes and who hold the HSBC Notes as an investment.

UK Taxation of Payments of Interest

Payments of interest on the HSBC Notes will be exempt from withholding or deduction for or on account of UK tax under the provisions of UK tax law relating to “quoted Eurobonds” provided that the HSBC Notes are and continue to be listed on a “recognised stock exchange” within the meaning of section 841 of the Income and Corporation Taxes Act 1988. Both the London Stock Exchange and the New York Stock Exchange are currently recognised for these purposes.

If the HSBC Notes cease to be listed on a “recognised stock exchange,” interest would be paid after deduction of UK income tax at the rate of, currently, 20%, although if you are eligible for the benefits of a relevant tax treaty you may be entitled to a reduced rate of withholding. Currently, a US holder of HSBC Notes who is eligible for benefits under the Convention between the United States and the United Kingdom for the Avoidance of Double Taxation which came into force on 31 March 2003, and has effect in relation to tax withheld on interest from 1 May 2003, would be entitled to receive payments of interest free of UK withholding tax and may be able to obtain a direction to that effect from the Inland Revenue. However, a direction will only be issued on prior application to the Inland Revenue.

UK Stamp Taxes in Relation to HSBC Notes

No UK Stamp Duty or Stamp Duty Reserve Tax is payable on the issue or the transfer by delivery of the Global Notes. Transfers of book-entry interests in the CDIs and interests therein in accordance with the procedures described in “Description of the HSBC Notes—Form, Settlement and Clearance—General” should not attract UK Stamp Duty or Stamp Duty Reserve Tax.

EU Withholding Tax Directive

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

UK Inheritance Tax in Relation to HSBC Notes

HSBC Notes held by an individual whose domicile is determined to be the United States for purposes of the United States-United Kingdom Double Taxation Convention relating to estate and gift taxes (the "Estate Tax Treaty") and who is not for such purposes a national of the United Kingdom will not, provided any US federal estate or gift tax chargeable has been paid, be subject to UK inheritance tax on the individual's death or on a lifetime transfer of HSBC Notes except in certain cases where the HSBC Notes (i) are comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the United States and was not a national of the United Kingdom), (ii) is part of the business property of a UK permanent establishment of an enterprise, or (iii) pertains to a UK fixed base of an individual used for the performance of independent personal services. In such cases, the Estate Tax Treaty generally provides a credit against US federal tax liability for the amount of any tax paid in the United Kingdom in a case where the HSBC Notes are subject both to UK inheritance tax and to US federal estate or gift tax.

TRANSFER RESTRICTIONS

Investor Representations and Restrictions on Resale

Each holder of the Household Notes that submits a letter of transmittal, or agrees to the terms of a letter of transmittal pursuant to an agent's message, will be deemed to acknowledge, represent, warrant, and agree as follows:

- (1) it has received and reviewed the offering memorandum;
- (2) it is the Beneficial Owner (as defined below) of, or a duly authorised representative of one or more such Beneficial Owners of, the Household Notes tendered thereby and it has full power and authority to execute the letter of transmittal;
- (3) the Household Notes being tendered thereby are owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and that HSBC will acquire good, indefeasible and unencumbered title to such Household Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when the same are accepted by HSBC;
- (4) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Household Notes tendered thereby from the date of the letter of transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (5) the HSBC Notes have not been registered under the Securities Act and may not be sold except as permitted below;
- (6) unless located in Luxembourg, it is, or in the event that such holder is acting on behalf of a Beneficial Owner of the Household Notes tendered thereby, such holder has received a written certification from such Beneficial Owner (dated as of a specific date on or since the close of such Beneficial Owner's most recent fiscal year) to the effect that such Beneficial Owner is (A)(i) a "qualified institutional buyer" (a "QIB") as defined in Rule 144A under the Securities Act, and is acquiring the HSBC Notes for its own account or for a discretionary account or accounts on behalf of one or more QIBs (as to which it has been instructed and has the authority to make the statements contained herein), or (ii)(a) not a person in the "United States" or (b) a dealer or other professional fiduciary organised, incorporated or (if an individual) residing in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-"U.S. Person," each as defined in Regulation S under the Securities Act, and is acquiring HSBC Notes in an "offshore transaction" in accordance with Regulation S under the Securities Act (as such term is defined in Regulation S) and (B) if it is situated in the United Kingdom, a person whose ordinary activities involve it in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purpose of its business;
- (7) it understands and agrees on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated (a) that the HSBC Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (b)(i) if in the future the holder decides to offer, resell, pledge or otherwise transfer such HSBC Notes, such HSBC Notes may be offered, sold, pledged or otherwise transferred pursuant to an exemption from the registration requirements of the Securities Act or outside the United States in an offshore transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S under the Securities Act and, in each case, in accordance with applicable securities laws of any state of the United States or any other jurisdiction and (ii) it will, and each subsequent holder is required to, notify any purchaser of the HSBC Notes from it of the resale restrictions referred to in (i) above, if then applicable;

- (8) it understands that each HSBC Note will contain the following legend, unless otherwise agreed by us:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.”

- (9) that the trustee of the HSBC Notes will not be required to accept for registration of transfer any HSBC Notes acquired by it, except upon presentation of evidence satisfactory to HSBC and the trustee that the restrictions set forth herein have been complied with;
- (10) that (a) none of us, the information agent, the exchange agent, the Luxembourg exchange agent, the dealer managers or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to HSBC or the offer or sale of any HSBC Notes, other than the information included in this offering memorandum (as amended or supplemented to the expiration date), and (b) any information it desires concerning us and the HSBC Notes or any other matter relevant to its decision to exchange for the HSBC Notes (including a copy of the offering memorandum) is or has been made available to it;
- (11) it (or the account for which it is acting) (a) is able to act on its own behalf in the transactions contemplated by this offering memorandum, (b) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the HSBC Notes, and (c) has the ability to bear the economic risks of its prospective investment in the HSBC Notes and can afford the complete loss of such investment;
- (12) in evaluating the exchange offer and in making its decision whether to participate therein by submitting a letter of transmittal and tendering its Household Notes, it has made its own independent appraisal of the matters referred to in the offering memorandum and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by HSBC, the information agent, the exchange agent, the Luxembourg exchange agent or the dealer managers other than those contained in this offering memorandum (as amended or supplemented to the expiration date);
- (13) the execution and delivery of a letter of transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the exchange offer and the transactions contemplated thereby, in each case on and subject to the terms and conditions of the exchange offer;
- (14) the submission of a letter of transmittal to the exchange agent or the Luxembourg exchange agent shall, subject to the holder's ability to withdraw its tender prior to the early tender deadline, and subject to the terms and conditions of the exchange offer generally, constitute the irrevocable appointment of the exchange agent and the Luxembourg exchange agent as its attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Household Notes tendered hereby in favour of HSBC or such other person or persons as they may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and/or agent's discretion and the certificate(s) and other document(s) of title relating to such Household Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the exchange offer, and to vest in HSBC or its nominees such

Household Notes;

- (15) if the Household Notes are assets of an employee benefit plan subject to the fiduciary provisions of the Employment Retirement Income Security Act of 1974, or of a governmental plan subject to substantially similar provisions, and any person who is exercising any fiduciary authority with respect to the exchange of the Household Notes controls, is controlled by or is under common control with the dealer managers, then such person has notified the dealer managers of such fact in writing;
- (16) that the terms and conditions of the exchange offer contained in this offering memorandum shall be deemed to be incorporated in, and form part of, the letter of transmittal which shall be read and construed accordingly; and
- (17) it understands that HSBC, the information agent, the exchange agent, the Luxembourg exchange agent, the dealer managers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any of the acknowledgments, representations, warranties and agreements made by it by its submission of a letter of transmittal, or its agreement to the terms of a letter of transmittal pursuant to an agent's message, are, at any time prior to the consummation of the exchange offer, no longer accurate, it shall promptly notify us and the dealer managers. If it is acquiring the HSBC Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of such account.

The "Beneficial Owner" of any Household Notes means any eligible holder that exercises sole investment discretion with respect to such Household Notes.

REGISTERED EXCHANGE OFFER AND REGISTRATION RIGHTS

As an inducement for you to participate in this exchange offer, HSBC will enter into a registration rights agreement pursuant to which we will agree, for the benefit of the holders of the HSBC Notes, at its cost to use its reasonable efforts to:

- (1) file a registration statement (the “exchange registration statement”) with respect to a registered offer to exchange (the “registered exchange offer”) the HSBC Notes of each series for a new series of notes (the “exchange notes”) having terms identical in all material respects to the respective series of the HSBC Notes (except that the exchange notes will not contain transfer restrictions); and
- (2) cause the exchange registration statement to become effective within 365 days after the Exchange Date (or if the 365th day is not a business day, the first business day thereafter) (the “Specified Date”).

Promptly after the exchange registration statement has been declared effective, we will commence the registered exchange offer. We will keep the registered exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date on which notice of the registered exchange offer is mailed to the holders of the HSBC Notes. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the HSBC Notes surrendered in exchange therefor or, if no interest has been paid on such note, from the date of the last interest payment date on the relevant Household Notes. The exchange notes of a series will vote together with the HSBC Notes of the corresponding series on all matters on which holders of notes or exchange notes of that series are entitled to vote.

Under existing interpretations of the staff of the SEC, the exchange notes would in general be freely tradable after the completion of the registered exchange offer without further compliance with the registration and prospectus delivery requirements of the Securities Act. However, any participant in the registered exchange offer who is our affiliate or who intends to participate in the registered exchange offer for the purpose of distributing the exchange notes:

- (1) will not be able to rely on the interpretations of the SEC staff;
- (2) will not be entitled to participate in the registered exchange offer; and
- (3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the HSBC Notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Each holder of HSBC Notes who wishes to exchange HSBC Notes for exchange notes pursuant to the registered exchange offer will be required to represent that:

- (1) it is not our affiliate;
- (2) the exchange notes to be received by it will be acquired in the ordinary course of its business;
- (3) at the time of the registered exchange offer, it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes;
- (4) it has not engaged in, and does not intend to engage in, the distribution of the exchange notes; and
- (5) it is not a broker-dealer that acquired HSBC Notes for its own account as a result of market-making or other trading activities.

If:

- (1) changes in law or the applicable interpretations of the SEC staff do not permit us to effect the registered exchange offer; or
- (2) for any other reason, the registered exchange offer is not completed within 20 business days following the Specified Date;

we will, at our cost:

- (a) file with the SEC promptly, but in no event more than 30 days thereafter, a shelf registration statement (the “shelf registration statement”) covering resales of the HSBC Notes;
- (b) use our reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act; and
- (c) use our reasonable efforts to keep the shelf registration statement effective until the earlier of two years after its effective date and such time as all notes eligible to be sold thereunder have been sold.

We will provide to each relevant holder copies of the shelf registration statement, notify each such holder when the shelf registration statement has been filed and when it has become effective and take certain other actions as are required to permit unrestricted resales of the relevant notes pursuant to the shelf registration statement. Holders generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification obligations). In addition, a holder of HSBC Notes will be required to deliver information to be used in connection with the shelf registration statement in order to have such holder’s HSBC Notes included in the shelf registration statement and to benefit from the provisions set forth in the following paragraph. Holders will also be required to suspend their use of the prospectus included in the shelf registration statement under certain circumstances upon receipt of written notice to that effect from HSBC.

If:

- by the Specified Date, neither the exchange offer registration statement nor the shelf registration statement has been filed with the SEC,
- by 20 business days following the Specified Date, neither the registered exchange offer is consummated nor, if required in lieu thereof, the shelf registration statement is declared effective by the SEC, or
- the exchange registration statement or the shelf registration statement (if applicable) has been declared effective but ceases to be effective at any time at which it is required to be effective or the related prospectus ceases to be usable at any time at which it is required to be usable because an event occurs that would result in the prospectus including misleading information or the registration statement or prospectus must be amended or supplemented to comply with applicable securities laws (unless such situation arises because we are updating these documents to include new financial information or to reflect other material events),

then additional interest will accrue on the principal amount of the HSBC Notes (in addition to the stated interest on the HSBC Notes) from and including the date on which any such registration default shall occur to but excluding the date on which all registration defaults have been cured. Additional interest will accrue at a rate of 0.5% per annum until the registered exchange offer or shelf registration statement has been declared effective, at which time the interest rate will be reduced to the

rate set forth on the cover page of this offering memorandum.

The above description of the registration rights agreement is a summary only, does not purport to be complete and is qualified in its entirety by reference to all provisions of the registration rights agreement. We will provide a copy of the registration rights agreement to prospective participants in the registered exchange offer upon request.

VALIDITY OF NOTES

Certain legal matters in connection with the HSBC Notes offered in the exchange offer will be passed upon for us by Cleary, Gottlieb, Steen & Hamilton, London, England. Certain legal matters in connection with the HSBC Notes offered in the exchange offer will be passed upon for the dealer managers by Shearman & Sterling LLP, London, England.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of HSBC Holdings plc as at 31 December 2003 and 31 December 2002 and for each of the years in the three-year period ended 31 December 2003 have been audited by KPMG Audit plc, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated by reference herein.

The financial information in respect of HSBC contained in this document (and in any information incorporated by reference into this document other than HSBC's annual report on Form 20-F) does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Full audited accounts for HSBC Holdings plc for the years ended 31 December 2003, 2002 and 2001 have been delivered to the Registrar of Companies in England and Wales and KPMG Audit Plc has given reports under Section 235 of the Companies Act on such accounts, which were unqualified reports within the meaning of Section 237(2) or (3).

The Exchange Agent for the exchange offer is:

**HSBC Bank USA,
National Association**

By Mail, Hand or Overnight Delivery:

Corporate Trust & Loan Agency
One Hanson Place
Lower Level
Brooklyn, NY 11243
Attn: Paulette Shaw

**By Facsimile Transmission: (718) 488-4488
(For Eligible Institutions only)**

Confirm facsimile by telephone only: (718) 488-4475

The Luxembourg Exchange Agent for the exchange offer is:

Dexia Banque Internationale à Luxembourg

By Mail, Hand or Overnight Delivery:

69 route d'Esch
L-2953 Luxembourg
Attn: Transaction Execution Group

**By Facsimile Transmission: (+352) 4590-4227
(For Eligible Institutions only)**

Confirm facsimile by telephone only: (+352) 4590-1

Any questions or requests for assistance or for additional copies of this offering memorandum, the letter of transmittal or related documents may be directed to the information agent at the telephone numbers listed below. You may also contact the dealer managers at its telephone number set forth below or your custodian bank, depository, broker, trust company or other nominee for assistance concerning the exchange offer.

The information agent for the exchange offer is:

Global Bondholder Services

65 Broadway, Suite 704
New York, NY 10006
US Toll Free: (866) 470-4500
From Outside the US Call Collect: (207) 564-8777
Attention: Andrea Sargent

The exclusive dealer managers for the exchange offer are:

JPMorgan

270 Park Avenue, 8th Floor
New York, NY 10017
US Toll Free: (866) 834-4666
From Outside the US: (212) 834-4077

HSBC Securities (USA) Inc.

452 Fifth Avenue, Tower 9
New York, NY 10018
US Toll Free: (877) 472-2008
From Outside the US: (212) 525-7561

No dealer, salesperson or any other person has been authorised to give any information or to make any representations other than those contained or incorporated by reference in this offering memorandum in connection with the offer made by this offering memorandum, and, if given or made, such information or representations must not be relied upon as having been authorised by HSBC Holdings plc or the dealer manager, the exchange agent, the Luxembourg exchange agent or the information agent. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstance create an implication that there has been no change in the affairs of HSBC Holdings plc since the date hereof. This offering memorandum does not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorised or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

All dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver an offering memorandum. This is in addition to the dealers' obligation to deliver a offering memorandum when acting as underwriters and with respect to their unsold allotments or subscriptions.

