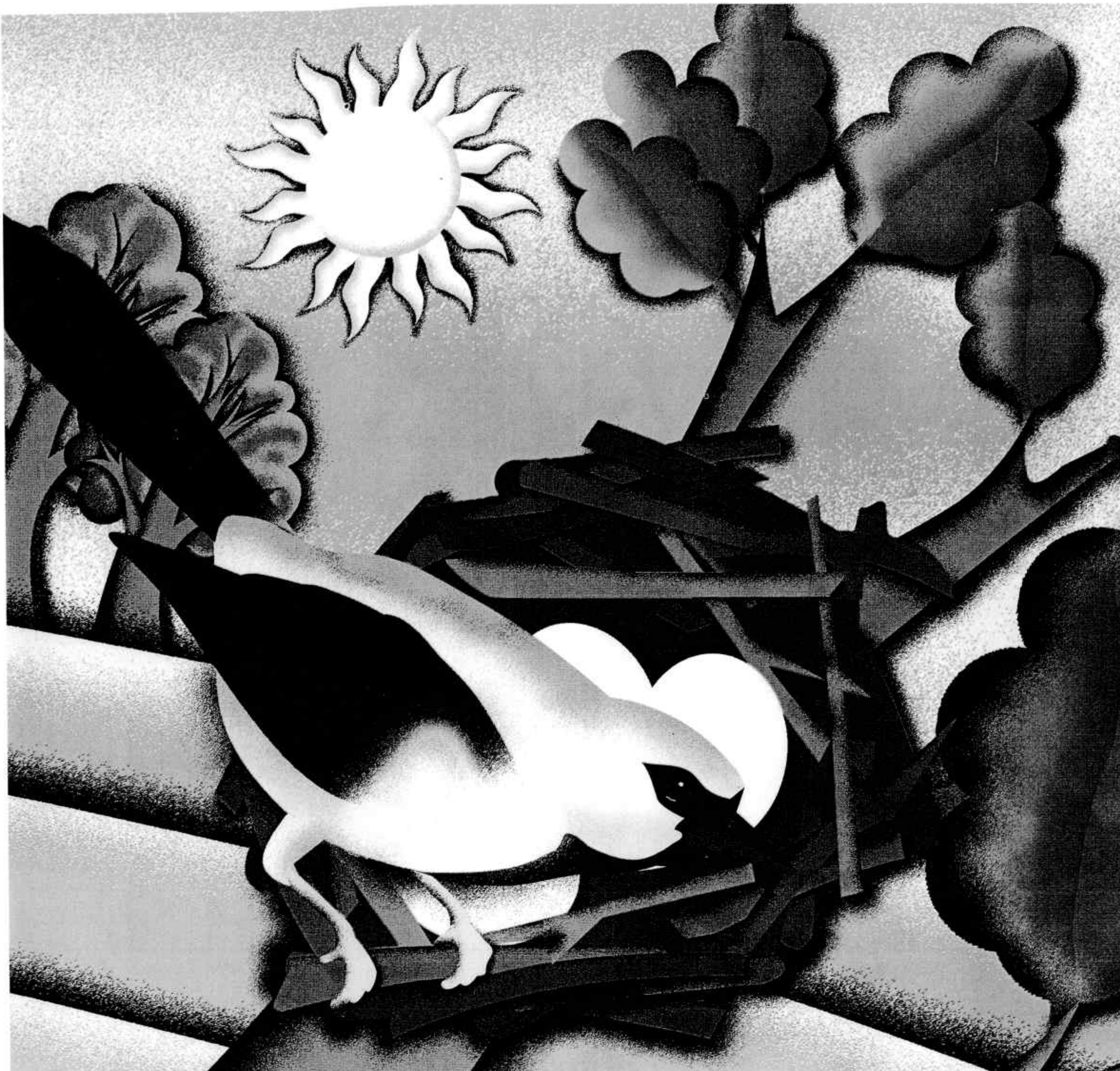
The HSBC Bank (UK) Pension Scheme

Defined Benefit Scheme



HSBC

Introduction

Welcome to your guide to the Defined Benefit Scheme (the **DBS**) of the HSBC Bank (UK) Pension Scheme (the **Scheme**). This booklet explains how the **DBS** works and the benefits provided to you.

Making arrangements for when you retire is very important. The **DBS** provides you with a range of attractive benefits, to offer you security in retirement and also to your **dependants** in the event of your death.

The **DBS** is non-contributory (that is, you do not contribute towards any of the benefits) and offers a range of benefits designed to provide a secure income when it is needed – either now or in the future. Your pension benefits are based on:

- your period of membership of the **DBS**
- your earnings when you retire

You can easily check how much pension the **DBS** will provide at any time in the future. Because your pension is based on your **final salary**, it will increase in line with your earnings during your career.

As well as a pension, the **DBS** provides life assurance cover, a **surviving spouse**'s pension, children's allowances and an ill-health pension.

Your **Basic State Pension** will be paid in addition from your **State Pension Age**.

This booklet explains the main benefits of the **DBS**. However, please remember it is only intended as a guide. The **Scheme** is governed by a formal document known as the Trust Deed and Rules (which would override the booklet if any difference occurred).

The information contained in this booklet should answer most questions you may have about your pension and other benefits. If you need to ask a specific question about your benefits, please contact the DBS Administration Centre at:

The DBS Administration Centre
HSBC Bank plc
36 Poultry
London EC2R 8AJ

Telephone: 020 7260 6869
Internal: 7903 6869

To avoid any doubt, this booklet does not apply to members of the HSBC Bank (UK) Pension Scheme who have transferred in from other Group pension schemes and continue to accrue benefits in accordance with the specific benefit bases of those schemes.

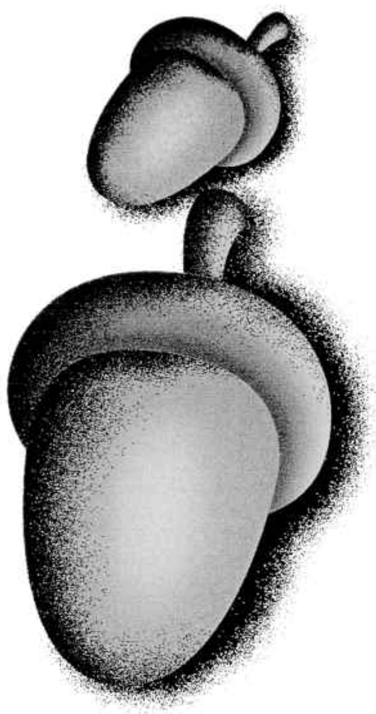
August 2000

Terms you need to know

The following words and phrases are used throughout the booklet, and are listed here for easy reference. You may find it helpful to refer to this page as you read the booklet.

Additional hours	Many key-time staff work over and above their contracted number of hours on a regular basis. These **additional hours** are pensionable up to a ceiling, so that the total number of hours does not exceed those of an equivalent full-time member of staff. Overtime payments are not pensionable.
Bank	HSBC Bank plc, the principal employer of the **Scheme**.
Basic State Pension	A pension paid by the state to those with enough National Insurance contributions.
Contracted-out	You pay lower National Insurance contributions and do not earn State Earnings-Related Pension Scheme **(SERPS)** credits whilst a member of the **DBS**. In return, the **DBS** provides a level of benefits which exceeds the Government's quality standard for contracting-out. Contracting-out does not mean that you lose your entitlement to a **Basic State Pension**.
Defined Benefit Scheme (DBS)	The **DBS** provides benefits to employees who joined the HSBC Bank (UK) Pension Scheme prior to 1 July 1996. Key-time staff employed on temporary or fixed-term contracts, cleaners and guards were excluded from membership.
Dependant	A person who, in the Trustee's opinion, is financially dependent on you.
Final salary	The annual equivalent of your last fixed salary or wages at the date of retirement (or leaving, or death, if earlier) excluding overtime pay and most allowances. For post-1974 service it must often be the actual salary payment over the last 12 months. At certain levels of salary, members' benefits are affected by various statutory restrictions. These apply throughout to **final salary**, and are referred to in the relevant places in this booklet.
Group	HSBC Holdings plc and all subsidiary companies in the United Kingdom (UK), Channel Islands and the Isle of Man.
Guaranteed Minimum Pension (GMP)	The part of your **Scheme** pension broadly equivalent to the pension (if any) you would have received from **SERPS** for the period from April 1978 to April 1997 during which you have been a member of the **DBS**.
GMP date	The age from which the **Guaranteed Minimum Pension (GMP)** is payable, currently 65 for men and 60 for women.
Normal retirement age (NRA)	**NRA** is usually your 60th birthday. However, your employment will terminate automatically at the end of the month in which your 60th birthday occurs, unless you are otherwise advised by individual notice.
Pensionable service	The number of years (and completed months) of membership of the **DBS** during which you have been in employment with a participating employer, up to a maximum of 40 years. Any transferred-in service may be included, as may any other period the **Bank** may approve for pension purposes. Since 1 January 1994, the **DBS** has applied to both full-time and key-time employment with a participating employer. Any period of key-time service before that date will only count towards pension benefits under the **DBS** if it was treated as pensionable under the terms of the previous Midland Bank Key-Time Pension Scheme.

Qualifying service	Period of service whilst a member of the **DBS**, together with any **pensionable service** under a previous employer's scheme in respect of which a transfer has been made into the **DBS**.
Scheme	The HSBC Bank (UK) Pension Scheme.
Surviving spouse	Your husband or wife at the date of your death, with whom you were ordinarily resident.
State deduction	The deduction from your **Scheme** pension of an amount equal to 1/80th of the **Basic State Pension** which would have been payable to a single person in the 52 weeks before retirement (or leaving date if earlier) for each year (and completed months) of **pensionable service** (adjusted, where appropriate, for key-time service). This deduction is only applied from **State Pension Age**.
State Earnings-Related Pension Scheme (SERPS)	The additional state pension earned if you had not been **contracted-out**.
State Pension Age	The age at which the state pension becomes payable. **State Pension Age** is currently 65 for men and 60 for women, but it is to be equalised at 65 over a 10-year phasing-in period, starting in 2010.
Trustee	HSBC Bank Pension Trust (UK) Limited.



Contents

The Defined Benefit Scheme (DBS) at a glance

When you retire at normal retirement age, early or through ill health	***If you die in service before normal retirement age***	***If you die after retirement***	***If you leave before normal retirement age***
You receive an immediate pension for life	*A cash lump sum is payable*	*A **surviving spouse**'s or a **dependant**'s pension is payable*	*You are entitled to a deferred pension*
or	*plus*	*plus*	*or*
a reduced pension for life	*a **surviving spouse**'s or a **dependant**'s pension*	*a children's allowance*	*a transfer value*
plus	*plus*	*plus*	*plus*
a tax-free cash lump sum (See pages 4-6)	*a children's allowance (See pages 7-8)*	*a possible cash sum (See page 9)*	*repurchased state benefits (See page 10)*

If you opt out of the **DBS**, you are covered only for a cash lump sum of twice your final salary (at the date of death) payable on death in service before **normal retirement age** (see page 7).

Note:

1 The payment of some of these benefits may be subject to certain conditions outlined in detail later in this booklet.

2 All benefits payable from the **DBS**, together with any benefits payable from any previous pension schemes of which you were a member, are subject to maximum limitations laid down by the Inland Revenue. In certain circumstances, DBS benefits may have to be reduced.

Joining the Defined Benefit Scheme (DBS)

The **DBS** has been closed to new members since 1 July 1996. All new employees of the **Group** from this date have been offered membership of the HSBC Defined Contribution Retirement Benefit Scheme (DCS) – another section of the HSBC Bank (UK) Pension Scheme. If you believe you may be eligible to join the DCS, please refer to the DCS booklet, a copy of which can be obtained from the DCS Administration Centre by telephoning 01727 775050 (Internal 7970 5050).

Transfers in

At the **Trustee**'s discretion, the **DBS** is able to accept transfer payments from other approved pension arrangements. If you supply the details of your previous employment, the DBS Administration Centre will investigate your own situation and tell you the amount of additional benefits your transfer payment will purchase in the **DBS**. Transferring your pension may not necessarily be in your best interests. If in doubt, it is suggested that you obtain independent financial advice, for which you should expect to pay a fee.

Change in number of hours of employment

If your contracted hours increase or decrease, you can still remain in the **DBS** (unless you opt out). Your DBS benefits will be adjusted to reflect these changes.

Benefits for members who join on or after 1 June 1989

The amount of pension and other benefits payable to, and in respect of, members who join the **DBS** on or after 1 June 1989 are restricted by legislation. Details of these restrictions appear at appropriate places in the booklet.

Your retirement pension

When you retire, you will receive a pension from the **DBS**. Your pension at retirement is based on your **final salary** and **pensionable service**.

Normal retirement pension

When you retire at your **normal retirement age**, and assuming your contracted hours have not changed, your pension is calculated as:

1/60th x **final salary** x **pensionable service** less the **state deduction** from **GMP date**.

If, while you are a member of the **DBS**, your contracted hours vary, your pension will be calculated on the 1/60th formula. However, any period of **pensionable service** during which your contracted hours are less than full-time (currently 35 hours per week) will be scaled down to its full-time equivalent. In addition, if at **normal retirement age** your contracted hours are less than full time, then your **final salary** will be 'grossed-up' to its full-time equivalent.

For example, if you serve 14 years in a contract of 20 hours per week, then seven years on a contract of 30 hours per week, retiring on a **final salary** of £6,000 p.a., your pension is calculated as follows:

Your 'grossed-up' **final salary** would be 35/30 x £6,000 = £7,000

Your **pensionable service** would be (14 x 20/35) + (7 x 30/35) = 14

So your pension would be 1/60th x 14 x £7,000 = £1,633 per annum.

Basic State Pension

Provided you have a full record of National Insurance contributions, you will receive your **Basic State Pension** from **State Pension Age**.

Pre-1986 entrants

Members who joined the **Scheme** prior to 1975 are subject to different rules. In addition, members who joined the **Scheme** prior to 1986 may be subject to different levels of benefits, as explained in a circular entitled 'Equality in Pensions' dated 5 January 1995. Copies of relevant documents can be obtained by contacting the DBS Administration Centre.

Early retirement

Your employer has the option to offer you an immediate early retirement pension from age 50 onwards. You must have completed five years' **pensionable service** to qualify for an early retirement pension, except for special provisions under the Security of Employment Agreement, when the period is two years.

In this case, your pension is calculated applying the 1/60th formula using your **final salary** and your **pensionable service** completed to the date when you retire early. The **state deduction** is calculated as at your date of early retirement, but is not applied until **GMP date**.

If your contracted hours vary during your career, the calculation of the early retirement pension is adjusted as shown on the previous page. Again, the **state deduction** is not applied until **State Pension Age**.

The level of your pension at **GMP date** cannot be less than the level of **GMP**, which must be paid from the **DBS** in full.

Ill-health retirement

If your employer requires you to retire because of severe ill-health, you may receive an immediate ill-health pension provided you have completed five years' **pensionable service**. The pension is calculated on the 1/60 formula based upon your **final salary** and **pensionable service** at the date of early retirement (with **final salary** and **pensionable service** adjusted as shown above if your contracted hours vary).

The **Trustee** may use its discretion to increase the pension calculation by granting, in addition, some or all of the potential **pensionable service** (converted into its full-time equivalent if, at the date of your early retirement, you were not in full-time service) which you could have completed up to your **normal retirement age**. This grant will only be made where the **Trustee** is satisfied that your illness is severe, with no likelihood that you will recover or be able to undertake any gainful employment in the future.

The **state deduction** will be calculated at the date of your early retirement, based on your period of membership of the **DBS** until then (i.e. ignoring any additional **pensionable service** granted at the discretion of the **Trustee**) but will not be applied to reduce your ill-health pension until you reach **State Pension Age**.

Ill-health pensions are subject to review by the **Trustee** and may be reduced or suspended for any periods before **normal retirement age** if it is considered that you have to an extent recovered from your illness or disability, or have found alternative paid employment.

Increases

All pensions in payment under the **DBS** are increased annually, in line with the increase in the Retail Prices Index, subject to a maximum of 5 per cent. From your **GMP date**, these increases do not apply to the **GMP** part of your pension in payment. The **GMP** increases annually in line with the increase in the Retail Prices Index, partly paid by the **DBS** but mainly paid by the State. In addition, the **Bank** and the **Trustee** will review the level of your pension each year and may, at their discretion, award a higher increase.

Increases are applied from 1 January each year. Following your retirement, the first increase will be proportional to reflect the date of your retirement e.g. if you retire on 30 June and the first annual increase is 3 per cent, you will receive 6/12 of this increase, i.e. 1.5 per cent.

The **state deduction** is a fixed amount calculated at the date of ceasing **pensionable service** and is not increased each year.

Restrictions

Legislation has been introduced restricting the amount of pension payable at retirement to certain members:

(a) If you joined on or after 1 June 1989

The maximum **final salary** (or the full-time equivalent, if you are not in full-time service) for pension purposes is limited by the Inland Revenue to the earnings cap. This earnings cap is currently £91,800 per annum (tax year 2000-01), which is expected to increase in line with price inflation. Details of the current arrangements, if you are affected by this restriction, can be obtained from the DBS Administration Centre.

(b) All members

If you are earning over £100,000 (or the full-time equivalent if you are not in full-time service) at retirement, your pension will be calculated on the average **final salary** over the last three years before retirement.

Cash option at retirement

Whenever you retire, you can convert part of your pension to a cash lump sum, currently tax-free. Your pension is taxed as earned income on the normal Pay-as-you-earn (PAYE) basis.

Certain restrictions apply to this option. By converting your pension to cash, you cannot reduce it below the level of the **GMP** plus **state deduction**. In extreme cases, this may mean that no cash lump sum is payable and you will be advised if this applies to you at retirement.

Inland Revenue restrictions limit the maximum lump sum you can receive.

If you joined the **DBS** prior to 17 March 1987 and retire at **normal retirement age**, the maximum cash lump sum you can receive is 1½ times your **final salary**, provided that you have completed at least 20 years' actual service. With less service, or on early retirement, the limits are lower. Overall limits must take into account any benefits you may have from previous schemes.

If you joined the **DBS** on or after 17 March 1987 and retire at **normal retirement age**, the maximum cash lump sum you can receive is limited to 3/80ths of **final salary** for each year of service, which means that you can build up to 1½ times your **final salary** after 40 years' service.

Change in hours

If your contracted hours vary, the amount of your cash lump sum will be altered to reflect these changes.

Restrictions

If you joined the **DBS** on or after 1 June 1989, the restriction on **final salary** outlined in (a) on page 5 applies to the calculation of the maximum cash lump sum. In addition, your **final salary** (or the full-time equivalent if you are not in full-time service) if you joined the **DBS** on or after 17 March 1987 but before 1 June 1989 is restricted to £100,000 per annum for the purposes of calculating the maximum lump sum.

If you would like to know how much tax-free cash you are entitled to, then the DBS Administration Centre can supply you with full details as you approach retirement.

You should be aware that any pension increases granted, as detailed on page 5, will only be payable on the pension remaining after you have taken a lump sum.

Pre-1975 service

If you joined the **DBS** before 1975, an alternative formula for calculating the cash lump sum may apply. Full details of your entitlement will be given to you in your retirement schedule which is sent to you by the DBS Administration Centre as you approach retirement.

Family protection

If you die in service before **normal retirement age**, the following benefits may be payable:

- Cash lump sum
- **Surviving spouse**'s pension
- Children's allowance
- Discretionary **dependant**'s pension

Cash lump sum

The cash lump sum payable on your death is four times your **final salary** at the date of death.

So that there is no potential liability for Inheritance Tax, the **Trustee** has complete discretion as to whom the cash lump sum is paid. Normally, this will be your **surviving spouse**, **dependants** or other relatives. However, you can let the **Trustee** know to whom you would like the money paid by completing an Expression of Wish form, a copy of which can be found at the back of this booklet. Although the **Trustee** will try to take your wishes into account, it cannot be bound by them.

Please ensure you update your Expression of Wish form if your personal circumstances change, such as on divorce or marriage.

Additional copies of this form are available from the DBS Administration Centre.

Surviving spouse's pension

If you die in service, a pension is paid to your **surviving spouse**. Any non-resident spouse will, however, generally receive a proportion of your accrued **GMP** and any additional pension to comply with the contracting-out rules.

The amount of the **surviving spouse**'s pension is 50 per cent of your pension entitlement based on your **final salary** at the time of death and your **pensionable service**, including not only the period up to your date of death but also the potential **pensionable service** you would have completed up to your **normal retirement age**, subject to a maximum of 40 years. No **state deduction** is applied.

If, at the date of your death, you are not in full-time service and your contracted hours vary, the potential years to your **normal retirement age** will be treated as if you had continued working your current hours. These will be converted into their full-time equivalent and the calculation adjusted to reflect your periods of full and key-time service.

If your surviving spouse is more than 15 years younger than you, there is a reduction in the pension of 2.5 per cent for each complete year in excess of 15 years.

Restrictions

Where members joined the **DBS** on or after 1 June 1989, the restrictions on **final salary** in (a) on page 5 will apply to the calculation of the cash lump sum and the **surviving spouse**'s pension.

Family protection (continued)

Children's allowance

If you die in service, a children's allowance will be provided for your dependent children under the age of 18 (or 21 if in full-time education or vocational training).

At the discretion of the **Trustee**, older children may also qualify for an allowance.

This allowance is a percentage of the **surviving spouse**'s pension described above (ignoring any reduction for difference in ages or residential qualifications). The amount of the allowance will depend upon the number of dependent children at the time of death and will be payable in equal shares, as follows:

Number of qualifying children	*% of **surviving spouse**'s pension*
1	40
2	60
3	80
4 or more	100

Where no **surviving spouse**'s or **dependant**'s pension (see below) is payable, the children's allowance is doubled.

Discretionary dependant's pension

If you die without leaving a **surviving spouse**, an allowance may be granted to a **dependant**, with the approval of the **Bank** and **Trustee**.

If you would like to nominate someone for the **Trustee** and the **Bank** to consider, please complete the Nomination of Specified Dependant form, a copy of which can be found at the back of this booklet. Any person you nominate must qualify as a '**dependant**' at the date of your death. The **Bank** and **Trustee** will not be bound by your nomination and in the event they decide to pay a dependant's pension they will undertake their own independent checks to ensure the person nominated (or any other person) fits the definition of '**dependant**'. If you are married it may not be necessary to complete this form as your wife or husband would normally meet the definition of '**surviving spouse**'.

Please ensure that you update your Nomination of Specified Dependant form if your personal circumstances change. Additional copies of this form are available from the DBS Administration Centre.

Death in retirement

The **DBS** provides a wide range of protection after you retire:

- **Surviving spouse**'s pension
- Children's allowance
- Discretionary **dependant**'s pension
- Possible cash lump sum

Surviving spouse's pension

If you leave a **surviving spouse** on your death in retirement, a **surviving spouse**'s pension will be payable. However, a non-resident spouse will generally receive a proportion of your **GMP** and any additional pension to comply with contracting-out rules.

The **surviving spouse**'s pension is normally 50 per cent of the pension you were receiving at the time of death including any pension converted to cash at retirement. The amount of your pension and any converted pension will include all post-retirement increases.

If your **surviving spouse** is more than 15 years younger than you, there is a reduction in the pension of 2.5 per cent for each complete year in excess of 15 years.

Children's allowance

A children's allowance is payable on death after retirement for dependent children in the same way as outlined on page 8.

Discretionary dependant's pension

If you die without leaving a **surviving spouse**, an allowance may be granted to a **dependant**, at the discretion of the **Trustee** and **Bank**.

If you would like to nominate someone for the **Trustee** and **Bank** to consider, please complete the Nomination of Specified Dependant form, a copy of which can be found at the back of this booklet. Any person you nominate must qualify as a '**dependant**' at the date of your death. The **Bank** and Trustee will not be bound by your nomination and in the event they decide to pay a **dependant**'s pension they will undertake their own independent checks to ensure the person nominated (or any other person) fits the definition of '**dependant**'. If you are married, it may not be necessary to complete this form as your wife or husband would normally meet the definition of **surviving spouse**.

Please ensure that you update your Nomination of Specified Dependant form if your personal circumstances change. Additional copies of this form are available from the DBS Administration Centre.

Cash lump sum

If you die within five years of your retirement, a cash lump sum may be payable, equal to the lesser of four times **final salary** (less the instalments of pension paid since retirement, increased to reflect any pension converted to cash at retirement) and the balance of five years' remaining pension.

The **Trustee** has complete discretion as to whom the cash lump sum is paid. Normally this will be your **surviving spouse**, **dependants** or other relatives. However, you can let the **Trustee** know to whom you would like the money to be paid by completing an Expression of Wish form, a copy of which can be found at the back of this booklet. Although the **Trustee** will try to take your wishes into account, it cannot be bound by them.

The restrictions on final salary outlined in paragraph (a) on page 5 apply to this calculation where members join the DBS on or after 1 June 1989.

Death whilst in the first five years of ill-health retirement

If you retire on the grounds of ill-health and subsequently die within five years of the date of your retirement (but before attaining normal retirement age), a lump sum of four times your final salary at the date of your retirement will be paid. If death occurs after you have reached normal retirement age, the cash lump sum will be calculated as referred to above, under 'Cash lump sum'.

Benefits on leaving

Leaving the Group's employment

If you leave the **Group**'s employment before retirement, you will be eligible for one of the following benefits:

- Deferred pension
- Transfer value
- State benefits

Deferred pension

Provided you have completed two years' **qualifying service**, you will be entitled to a deferred pension, held for you in the **DBS** and paid from **normal retirement age**. This pension is calculated in the same way as a normal retirement pension using your **final salary** and **pensionable service** to the date of leaving. If your contracted hours have varied, the calculation is adjusted as shown on page 4.

You may apply for your deferred pension to be paid at any time on or after age 50, or earlier if you are suffering from ill health. If your application is accepted by the **Trustee**, the pension will be reduced because it is paid early.

Your deferred pension is increased every year until it starts to be paid. Once it has started to be paid, it is reviewed annually and increases on the basis set out on page 5.

Transfer value

As an alternative to keeping your pension in the **DBS**, you can ask for a transfer value to be paid directly to another approved pension arrangement (including a personal pension).

Any member can ask for a transfer value statement from the DBS Administration Centre. The statement will quote your transfer value and let you know how to proceed. The transfer value will be calculated in a manner approved by the Scheme Actuary and in accordance with the statutory requirements.

Normally a statement will be provided within three months of your request. You can only request a transfer value once every 12 months and, if you wish to go ahead with the transfer, you must reply within three months of the quotation date; otherwise the figures are subject to change.

State benefits

If you have less than two years' **qualifying service**, your **SERPS** benefit relating to the period for which you have been **contracted-out** will be reinstated into the State Pension Scheme.

Leaving the Scheme

You have the right to opt out of the **DBS** while continuing to work for the **Group**. If you do so, you must give at least one month's written notice to the **Trustee** of your intention to opt out of the DBS. After expiry of the notice, you will pay higher National Insurance contributions. If you leave the **DBS**, it is not possible to re-join at a later date.

The **Group** does not normally make a contribution to any other pension arrangement.

You will be provided with benefits under the **DBS** as if you had left the **Group**'s employment, but in the event of your death in service before **normal retirement age** a cash lump sum of two times your **final salary** (which may be limited, as outlined in paragraph (a) on page 5) will be paid at the discretion of the **Trustee**.

Temporary absence

Your membership of the **Scheme** may continue, at the **Group**'s discretion, if you are temporarily away from work because of injury, illness or other reasons.

If you have maternity leave (under the terms of the Employment Rights Act), your **pensionable service** will include your period of absence. You will continue to be protected by the **Scheme**'s death benefits. If you do not return within the terms of the Act, your date of termination will be considered to be the date your maternity leave ceased.

Restrictions

Where members join the **DBS** on or after 1 June 1989, the restrictions on **final salary** outlined on page 5 apply to the calculation of benefits on leaving service or the **Scheme**.

Change of address

If you retain an entitlement to a pension in the **Scheme** after you have left the **Group**, it is important that you notify the DBS Administration Centre of any changes of address.

Voluntary contribution arrangement (VCA)

Voluntary contributions are attractive for those who wish to increase the retirement benefits available for themselves, their **surviving spouse** or **dependants**, up to the limits allowed by the Inland Revenue. VCA is particularly attractive to those who join the **Group** in mid-career.

VCA investments are held separately from, and the benefits will be paid in addition to, those outlined in this booklet.

You may pay voluntary contributions provided you are a member of the **DBS** and expect your **DBS** and VCA benefits to remain within Inland Revenue limits. You may open a VCA account on the first day of any month.

VCA offers a flexible and tax-efficient way to increase your retirement benefits because contributions are deducted from your earnings *before* tax is calculated; your taxable earnings are reduced and so is your tax liability at your highest rate.

You have the choice of investing your contributions in a special deposit account or through insurance companies.

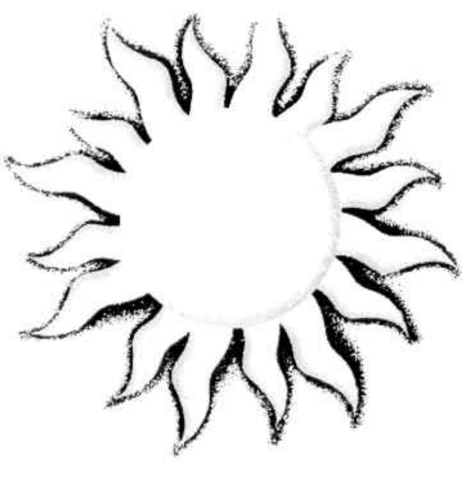
Any interest or bonus earned within VCA is tax-free, with the exception of dividends earned on UK equities. You have several benefit options when considering how to apply your VCA account at retirement.

Where a VCA account is converted into pension at retirement, an annuity rate (or exchange rate) is used to determine the level of pension that can be purchased. Annuity rates can fluctuate. You may wish to take independent financial advice to determine if other tax-efficient investment vehicles (such as ISAs) may be appropriate to your own personal circumstances.

It is up to you to decide the amount you can afford to save, and the DBS Administration Centre will need to confirm that your proposed rate of contribution is within the prescribed limits.

Voluntary contributions are deducted through payroll. They must be not more than 15 per cent of basic salary and other monetary earnings, which may be limited in the case of some post-31 May 1989 joiners (see paragraph (a) on page 5). Contributions must be in multiples of £1 per month, or a percentage of your salary, and may be varied from time to time.

Further details, which describe this tax-effective savings plan, are available on request from the DBS Administration Centre.



How the Scheme works

The **Group** contributes to a special fund set up to provide the benefits of the **Scheme**. The **DBS** is a special section of the **Scheme**. The benefits and circumstances in which they are payable are laid down in the Trust Deed and Rules. All the benefits of the **Scheme** are paid from this fund. The **Scheme** is tax approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988. The Inland Revenue imposes certain limits on the benefits that may be paid, and the **Trustee** has to comply with these limits.

The **Trustee** of the **Scheme** is HSBC Bank Pension Trust (UK) Limited, which has a Board of Directors comprising nine directors nominated by HSBC Bank plc and nine appointed after elections by the members (eight) and pensioners (one), together with a Chairman nominated by HSBC Bank plc.

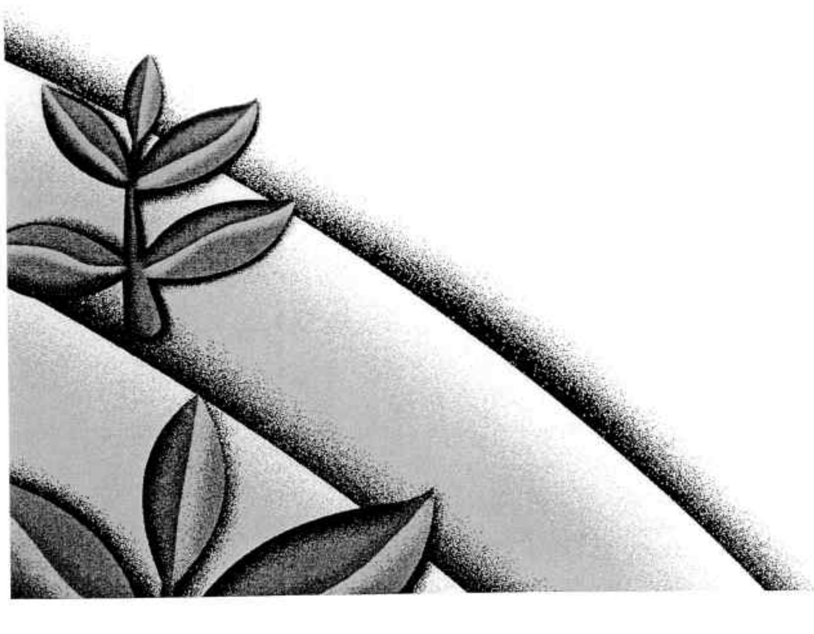
The **Trustee** is legally responsible for managing and administering the **Scheme**, with the help of independent professional advisers.

The main role of the **Trustee** is to ensure that the **DBS** is administered in accordance with the Trust Deed and Rules. It is not the function of the **Trustee** to initiate change to the rules or to negotiate benefits. The **Trustee** supervises the fund's investments, receiving reports from the professional managers, and is responsible for all financial matters related to the fund.

The **Trustee** publishes, usually in July, an annual report, copies of which can be obtained from the Secretary to the Trustee at HSBC Bank Pension Trust (UK) Limited, 36 Poultry, London EC2R 8AJ.

Each year, members of the **DBS** receive a statement setting out their benefits under the **DBS** at retirement, death and on leaving, along with a summary of the annual report. The publication dates vary, but are normally in the third quarter each year.

An independent actuary monitors the **Scheme** every three years and recommends the rate of contributions needed to maintain the assets at the level required to cover the cost of the benefits and administration expenses. These contributions are defined as a rate of all members' pensionable salaries. The **Bank** determines the contributions paid to the **Scheme** in the light of the actuary's recommendation.



The State Pension Scheme

The State Pension Scheme is made up of two parts:

1. **The Basic State Pension**

This is a flat-rate pension paid to all employees with an adequate record of National Insurance contributions. It is increased each year by the state.

2. **The State Earnings-Related Pension Scheme (SERPS)**

This is a complicated pension, related to your earnings which fall between the state lower and upper earnings limits from the tax year 1978-79 until the tax year prior to your **State Pension Age**. The 'band earnings' for each tax year are then 'revalued' in line with increases in national average earnings since the tax year concerned, and **SERPS** is then based on the total of those 'revalued band earnings'.

Contracting out

If a company's pension scheme benefits are good enough, it can 'contract out' of **SERPS**. The **DBS** is **contracted-out**, as the benefits exceed the Reference Scheme Test, a 'quality of benefit' test set by the Government. In addition, a pension under the **DBS** is subject to a **Guaranteed Minimum Pension (GMP)** in respect of service prior to 6 April 1997. Whilst you are a member of the **DBS** you will be 'contracted-out', which means you pay lower National Insurance contributions and do not participate in **SERPS**.

Further information

This booklet is intended to provide a general guide to the **DBS** and, although every effort has been made to ensure that the contents are accurate, it cannot include every detail.

Should there be any discrepancy between the information in this booklet and the Trust Deed and Rules, the legal documents covering the whole Scheme, the Trust Deed and Rules take precedence.

Amendment or discontinuance

The Trust Deed provides that HSBC Bank plc has the power to discontinue the **DBS** or, with the consent of the **Trustee**, to amend it at any time in the future. If your benefits or rights are affected, you will be given written notice of your entitlement. If the **DBS** is discontinued, the assets would be used to provide benefits to its members in accordance with the Trust Deed and Rules.

Disposal of your benefits

You may not sell, or give away, your benefits under the **DBS**.

Data Protection Act 1998

The **Trustee** and the **Group** have both a legal obligation and a legitimate interest to process data relating to you for the purpose of administering and operating the **Scheme** and paying benefits under it. This may include passing on data about you to the **Scheme**'s actuary, auditor, administrator and such other third parties as may be necessary for the administration and operation of the **Scheme**.

The **Trustee** and the **Group** are regarded as 'Data Controllers' (for the purposes of the Data Protection Act 1998) in relation to data processing referred to above, and can be contacted at the address on this page.

Internal dispute resolution procedures

From time to time, members may have queries or concerns about the DBS. Generally, these can be dealt with satisfatorily by the DBS Administration Centre.

The **DBS** does have a formal internal procedure for the resolution of disputes between scheme beneficiaries and the **Trustee**. It is a two-stage procedure – the initial reply to any formal complaint will be made by the HSBC UK Pensions Manager (at the address shown below), who will normally respond within two months of receiving full details of the complaint. If the matter is still not resolved to the person's satisfaction, the **Trustee**, on the person's application to the Secretary to the **Trustee**, will reconsider the complaint. Normally, the **Trustee**'s decision will be issued within two months.

If you are dissatisfied with anything to do with the **DBS** and want to make a formal complaint, you should write to the Secretary to the **Trustee** at HSBC Bank plc, 36 Poultry, London EC2R 8AJ, who will send you a copy of the full procedure together with the relevant forms.

Any questions?

This guide is intended to provide you with all the information you require about the **DBS**. If you have any further queries, please contact the DBS Administration Centre.

External bodies

The following outside bodies may be able to help:

Pension Scheme Registry
The Registry is a central agency which helps individuals to keep track of benefits in previous employers' pension schemes. Information about the **Scheme** (including the address at which the **Trustee** may be contacted) has been given to the Registrar, whose address is:

PO Box 1NN
Newcastle-upon-Tyne NE99 1NN

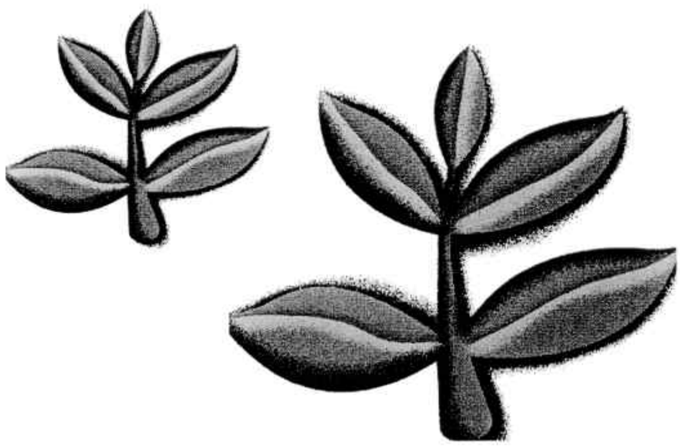
Occupational Pensions Advisory Service (OPAS)
OPAS is available at any time to assist members and beneficiaries of occupational pension schemes with any pensions query they may have, or any difficulty that they have been unable to resolve with the **Trustee** or administrators. OPAS can be contacted at:

11 Belgrave Road
London SW1V 1RB

Pensions Ombudsman
For problems that cannot be settled through OPAS, you may appeal to the Pensions Ombudsman, who has the power to investigate and settle complaints or disputes of fact or law in relation to occupational pension schemes. The Ombudsman can be contacted at the same address as OPAS.

Occupational Pension Regulatory Authority (OPRA)
OPRA has been set up by the Government to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties. OPRA may be contacted at:

Invicta House
Trafalgar Place
Brighton
East Sussex BN1 4DW



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