

The HSBC – North America (U.S.) Pension Plan Summary Plan Description (SPD)

Cash Balance Formula

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Introduction

This Summary Plan Description (SPD) describes the Cash Balance section of the HSBC – North America (U.S.) Pension Plan (the “plan”) as amended through January 1, 2018.

The Cash Balance section of the plan (the “Cash Balance section”) covers employees of HSBC North America Holdings Inc. (“HSBC – North America”) and Participating Employers who were first employed by HSBC after 1996 or first employed by Household after 1999. Beginning in 2011, all active participants earned benefits with Account Balances under the Cash Balance section. The plan was amended to cease Pay Credits under the Cash Balance section after December 31, 2012. However, participants with Account Balances under the Cash Balance section will continue to accrue interest rate credits until their Account Balances are distributed.

The plan was formerly named the Household Retirement Income Plan. Household International, Inc., the former sponsor of the plan, was acquired by HSBC on March 28, 2003. In 2004, Household transferred sponsorship of the plan to HSBC – North America Holdings Inc. (“HSBC – North America”). HSBC changed the name of the plan to HSBC – North America (U.S.) Retirement Income Plan effective January 1, 2005 and then changed the name of the plan to HSBC – North America (U.S.) Pension Plan effective January 1, 2010. All references in this SPD to the “plan” mean the HSBC – North America (U.S.) Pension Plan which was formerly known as the Household Retirement Income Plan.

The plan was established effective January 1, 1962 as an amendment and restatement of the Savings-Retirement Plan which was originally adopted by Household Finance Corporation on October 1, 1945. The plan has been amended and restated periodically. The most recent restatement, which is described in this SPD, became effective January 1, 2010.

The plan has four “sections.” Each section contains one or more separate benefit formulas applicable to a separate groups of participants and is described in a separate SPD.

- ◆ The Cash Balance SPD describes the plan’s Cash Balance section which covers participants who became employees of Household after 1999, participants who became employees of HSBC after 1996 and, beginning on January 1, 2011, covers other employees of Household and HSBC who previously earned pension benefits under the plan’s Legacy Household section or the plan’s Legacy HBUS section.
- ◆ The Legacy Household SPD describes the plan’s Legacy Household section which covers participants who first became employees of Household before January 1, 2000.
- ◆ The Legacy HBUS SPD describes the plan’s Legacy HBUS section which covers participants who first became employees of HSBC before 1996.
- ◆ The Household Manufacturing SPDs describe pension plans sponsored by Household Manufacturing, Inc. Most of the Household Manufacturing plans were amended to cease benefit accruals and merged into the plan on or about March 31, 1989. Separate SPD’s describe each of these plans.

As previously stated, this SPD describes the plan’s Cash Balance section.

The plan is designed to provide benefits when you retire from HSBC. Your spouse or other beneficiary may be eligible for plan benefits if you die before retirement.

You automatically participate in the plan when you become eligible; you do not need to enroll. However, no employees are eligible to participate in the plan after 2012, and no additional benefits accrue after 2012 on behalf of previously participating employee except for Interest rate credits as described later in this SPD.

HSBC – North America and Participating Employers pay the full cost of the plan.

Important terms and phrases used throughout this SPD are underlined and defined in the Glossary, beginning on page 32.

About this document

This document is a summary of the Cash Balance section of the plan, so some provisions are described in condensed form and others are not mentioned at all. This booklet replaces any previous SPDs that describe the Cash Balance section.

The official plan document as in effect from time to time during the period you participate in the plan contains all the provisions of the plan and is used to determine how the plan operates, what benefits are paid, and who is eligible to receive them. If there is a conflict between this SPD and the official plan document, the official plan document governs.

You may examine the official plan document at the office of the plan administrator. You can obtain a copy from the HSBC Benefits Center for a reasonable copying charge. See Your Rights Under ERISA beginning on page 30.

HSBC reserves the right to amend or terminate the plan at any time.

The plan can be amended only by written instrument executed as directed by the Board of Directors of HSBC – North America or by certain designated officers of HSBC – North America. The plan cannot be amended by any communications or statements, written or oral, made by benefits administrators, HR personnel, or other persons. Therefore, any statements made by such persons that conflict with the official plan document do not govern the plan and are not binding on the plan. Also, any ambiguity in the official plan document must be resolved through an interpretation of the plan document by the Administrative Committee.

HSBC and its affiliates do not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transactions.

If a clerical error or other mistake made in this SPD provides misinformation on eligibility or a miscalculation of benefit amounts, the error or mistake does not create a right to receive benefits. You will receive written notice if the plan makes a payment to you in error and you must return the amount of the overpayment to the plan by the deadline specified in the notice.

Participation in the plan does not guarantee, directly or indirectly, employment with HSBC.

Accessing your plan information

You can get detailed, personalized information about the plan online, through Your Benefits Resources™, the pension administration Web site (www.yourbenefitsresources.com/hsbc).

A variety of tools and resources for accessing your plan information are available. For example, you can:

- ◆ Learn how the plan works and how your benefit is calculated;
- ◆ Get timely benefit estimates using assumptions of your choosing;
- ◆ Choose or change your beneficiaries under the plan;
- ◆ Learn how to select the best payment method for your situation;
- ◆ Initiate the retirement process and choose how you want your benefit to be paid.

Your Benefits Resources is available 24 hours a day, Monday through Saturday, and after 12:00 p.m. Central time on Sunday.

The Web site uses state-of-the-art technology to ensure that only you have access to your personalized plan information. The first time you visit Your Benefits Resources, click on the “Register as a New User” link. You will be prompted to enter the following personal information to identify yourself:

- ◆ The last four digits of your Social Security number;
- ◆ Your date of birth (MM-DD-YYYY); and
- ◆ Your five-digit home zip code.

You then will be prompted to create a password and user ID of your choice for future access, as well as a hint to help you remember your password. For your protection, keep your password and user ID confidential.

If you need additional assistance, you can call the HSBC Benefits Center at 1-800-847-0615 and speak with a Benefits Center representative. Benefits Center representatives are available between 8:00 a.m. and 6:00 p.m. Central time, Monday through Friday.

Use the same password and user ID for both Your Benefits Resources and the Benefits Center.

You can also correspond with HSBC Benefits Center representatives through Your Benefits Resources. Simply click on the “Contact Us” link and e-mail your message to a Benefits Center representative. In most cases, you will receive a response in your Secure Mailbox on Your Benefits Resources by the next business day. A notice will be sent to your e-mail address on file when a response is delivered to your Secure Mailbox.

Much effort has been made to ensure that information delivered to you at the Web site is accurate. Nevertheless, the Web site is intended only as a convenience for plan participants and is not a substitute for the official plan document. If the Web site overstates or understates your plan benefit, your benefit will still be the amount properly calculated under the terms and provisions of the official plan document.

Your Benefits Resources is a trademark of Alight Solutions LLC.

Your eligibility to participate

Note: No HSBC employees will become participants in the plan after 2012. This section of the SPD describes the eligibility requirements of the plan's Cash Balance section in effect before December 31, 2012. Participation in the plan was frozen on December 31, 2012.

You are eligible to participate in the Cash Balance section of the plan if you are regularly employed by a Participating Employer at an office located within the United States or at an office outside the United States if you are carried on the payroll of an office located within the United States and compensated in U.S. dollars (regardless of whether your compensation is converted and paid in local currency to comply with local law).

If you are eligible to participate, you will become a plan participant on the first day of the month after you meet both of these conditions:

- ◆ You are age 21.
- ◆ You have earned 1,000 Hours of Service during your first 12 months of employment or in any calendar year beginning after you have become an employee.

You are not eligible if any of these apply:

- ◆ Your business unit has not adopted the plan
- ◆ You are part of a collective bargaining unit but your collective bargaining agreement does not provide for participation in this plan
- ◆ You are considered by your employer to be a leased or contract employee, independent contractor, or employed by a temporary help firm, staffing firm, employee leasing firm, professional service organization or similar entity, regardless of whether your status is reclassified or determined otherwise by a court, government agency, or other competent authority
- ◆ You are regularly employed outside the U.S., are on temporary assignment in the U.S., were not participating in the plan immediately prior to the temporary assignment, and continue to accrue benefits under a non-US retirement plan during your temporary assignment in the U.S.

Legacy Household and Legacy HBUS section participants

You are not eligible to earn benefits under the Cash Balance formula of the plan during any period when you are earning benefits under the Legacy Household formula or the Legacy HBUS formula. You should review the Legacy Household SPD or the Legacy HBUS SPD to determine whether you are eligible to earn benefits under either of those benefit formulas.

Beginning January 1, 2011, all employees of HSBC – North America and Participating Employers who are eligible to participate in the plan will earn benefits under the Cash Balance formula and not under the Household formula or the HBUS formula.

Participants who earned benefits under the Legacy Household formula or the Legacy HBUS formula before 2011 will have those benefits paid at times and in forms described in the Legacy Household SPD or the Legacy HBUS SPD, as applicable, and will have their Cash Balance formula benefits paid at times and in forms described in this SPD.

Beginning January 1, 2013, no employees of HSBC – North America and Participating Employers will earn benefits under the Cash Balance formula (except for Interest rate credits) or under the Legacy Household formula or the Legacy HBUS formula.

Your plan benefit

The plan is a defined benefit plan with multiple benefit formulas. This SPD describes the Cash Balance formula.

Your Cash Balance benefit is calculated using the formula described below and expressed as an amount of money credited to a hypothetical account maintained in your name (your "Cash Balance Account"). The amount credited to your Cash Balance Account is simply a bookkeeping entry that permits a determination of your plan benefit on any given date. It does not represent actual plan assets segregated to your account.

You are eligible for a plan benefit once you become Vested even though you terminate employment before retirement age. You are vested in your Cash Balance benefit after you earn three Years of Vesting Service.

If you were an active participant in the Legacy Household section or the Legacy HBUS section of the plan before 2011, you will have a Legacy Household formula benefit or a Legacy HBUS formula benefit in addition to your Cash Balance formula benefit. Legacy Household formula benefits and Legacy HBUS formula benefits are not described in this SPD; they are described in the Legacy Household SPD and the Legacy HBUS SPD which are separate documents.

The benefit formula

Your benefit under the Cash Balance section of the plan is the total amount credited to your Cash Balance Account on any given date. The amount credited to your Cash Balance Account on a given date is the sum of pay-based credits and interest rate credits credited to your account on that date.

Pay-based credits

You will receive a pay-based credit equal to two percent (2%) of your Pensionable pay credited to your Cash Balance Account for each calendar year ending on or before December 31, 2012 in which you are eligible to participate in the Cash Balance section of the plan.

The pay-based credit is allocated to your account on the last day of the calendar year unless you terminate employment and commence your benefit during the year, in which event the pay based credit is allocated to your account on the payment start date. If you do not commence your benefit in the same year as you terminate employment, your pay-based credit will be allocated to your account on the last day of the calendar year.

If you are a new employee with no prior participation in the plan, you will normally begin participation in the plan after one year of employment. See the section of this SPD entitled Your Eligibility to Participate beginning on page 4. In your first year of participation, you will receive a pay-based credit calculated on Pensionable pay earned by you in the calendar year prior to the calendar year in which you began participation provided you were an employee on the last day of that prior year (a "prior year pay-based credit"). You will also receive a pay-based credit calculated on Pensionable pay earned by you in the calendar year in which you began participation but before you became a participant.

For example, John is hired on September 1, 2010 and remains continuously employed through December 31, 2011. Assuming he has attained age 21, he will begin participation in the plan on September 1, 2011. On December 31, 2011, his Cash Balance Account will receive a pay-based credit based on his Pensionable pay earned during all of 2011. In addition, on December 31, 2011, his Cash Balance Account will receive a prior year pay-based credit based on his Pensionable pay earned from September 1, 2010 through December 31, 2010. His Cash Balance Account will also receive an interest rate credit for 2010 calculated as if his prior year pay-based credit had been credited to his account on December 31, 2010.

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan and commence participation in the Cash Balance section on January 1, 2011, you will not receive a “prior year pay-based credit” but you will begin earning pay-based credits on January 1, 2011.

If you are rehired after previously participating in any section of the plan, you will not receive a “prior year pay-based credit” but you will begin earning pay-based credits on your rehire date.

Certain participants are eligible for additional pay-based credits that are intended to transition those participants into the plan from a different qualified retirement plan. The additional pay based credits are discussed in Additional Pay-Based Credits beginning on page 37.

The plan was amended to end pay-based credits after the 2012 plan year.

Interest rate credits

You will receive an interest rate credit each year in an amount equal to your Cash Balance Account balance determined as of the first day of the year multiplied times the lesser of the following two interest rates:

- ◆ The average of 10-year Treasury rates for September of the previous year; or
- ◆ The average of 30-year Treasury rates for September of the previous year.

The interest rate credit is allocated to your account on the last day of the calendar year except that, if your benefit is paid during a calendar year, a prorated interest rate credit will be allocated to your account as of your Annuity Starting Date.

Participants with Cash Balance Accounts will continue to earn interest rate credits for plan years ending after 2012, until their Cash Balance Account is distributed or converted into an annuity.

Example of how your account might grow

Here is an example of how your account might grow over three years of employment.

Assume your employment begins on January 1, 2010 and your annual salary is \$50,000 which is increased by \$2,500 in each of the next two years. After one year of service (January 1, 2011), you become a plan participant. Your account balance on January 1, 2011 is \$0. However, on December 31, 2011, you receive three allocations to your Cash Balance Account:

A pay-based credit equal to two percent of your Pensionable pay for 2010 (your first year of employment, before you become a plan participant) $2\% \times \$50,000 = \$1,000$

Note: If your employment starts on a day other than the first day of the year, your allocation is based only on the months during which you earn compensation. For example, if your employment began on March 1, you would receive a pay based credit equal to two percent times the actual pay you received during the year.

A pay-based credit equal to two percent of your Pensionable pay for 2011 (your second year of employment and your first year of plan participation) $2\% \times \$52,500 = \$1,050$

An interest rate credit on \$1,000 (your deemed Cash Balance Account balance as of January 1, 2011) $4\% \times \$1,000 = \40
\$2,090

¹ The interest rate presented here is for illustrative purposes only and is in no way indicative of the actual rate that may be determined under the plan for any given year.

At the end of your third year of employment (December 31, 2012), you will receive two allocations to your Cash Balance Account:

A pay-based credit equal to two percent of your Pensionable pay for 2012 (your third year of employment, second year of plan participation) $2\% \times \$55,000 = \$1,100$

An interest rate credit on \$2,090 (your Cash Balance account balance as of January 1, 2012) $5\% \times \$2,090 = \105

The following table illustrates this example:

	(a) Pensionable Pay	(b) Interest Rate ¹	(c) Cash Balance Account Balance Beginning of Year	(d) Pay-Based Credit End of Year .02 x (a)	(e) Interest Rate Credit End of Year (b) x (c)	(f) Cash Balance Account Balance End of Year (c)+(d)+(e)
Year One – 2010	\$50,000	N/A	\$0	\$1,000 ²	\$0	\$1,000 ²
Year Two – 2011	\$52,500	4%	\$1,000 ³	\$1,050	\$40	\$2,090
Year Three – 2012	\$55,000	5%	\$2,090	\$1,100	\$105	\$3,295

If you leave HSBC before retirement age

If you leave HSBC before your Normal Retirement Date, you may elect to receive an immediate distribution of your Cash Balance Account balance, if it is Vested. If you choose not to receive an immediate distribution of your Cash Balance Account balance, your account will continue to grow with the addition of interest rate credits (but not pay-based credits) until payment of your benefit begins.

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan, the benefit earned by you under the Legacy Household formula or Legacy HBUS formula will only become payable at the time provided in the Legacy Household SPD or Legacy HBUS SPD.

If you become disabled

If you are working for a Participating Employer and you become eligible for LTD benefits due to long term disability and you do not elect to receive an immediate distribution of your Cash Balance Account balance, your account will continue to grow with the addition of both pay based credits (based on your pre-disability average benefits base rate of pay, also known as ABBR) and interest rate credits, until December 31, 2012 or, if earlier, whichever of these events comes first: You--

- ◆ Reach age 65;
- ◆ Elect to begin receiving plan benefits; or
- ◆ Are no longer disabled.

² This amount is credited on the last day of the calendar year after the year in which you first are eligible to participate in the plan.

³ Although this amount is not credited until the last day of the 2nd calendar year, it is treated as allocated on the last day of the first calendar year for purposes of earning interest.

Pay-based credits continue to be credited to your Cash Balance Account (before December 31, 2012) only if you are receiving LTD benefits under an LTD plan maintained by a Participating Employer (or would be receiving the benefits except for a provision under the LTD plan that excludes benefits for disabilities incurred while serving in the U.S. military, as determined by the Administrative Committee, during the time you are away from work at the Participating Employer).

If you became disabled while participating in the Legacy Household section or the Legacy HBUS section of the plan and continued earning benefit service under that plan section, you will cease to earn benefit service under that plan section no later than December 31, 2010. If you remain disabled after December 31, 2010, you will be eligible to receive pay based credits (based on your pre-disability average benefits base rate of pay, also known as ABBR) and interest rate credits allocated to your Cash Balance Account as described above.

IRS limitations on benefit accruals and payments

Internal Revenue Service (IRS) regulations limit the amount of benefits that can be paid by retirement plans. These limits are determined by the IRS and are indexed for cost of living increases, which means they are subject to change in future years.

IRS-imposed limits may reduce the benefits otherwise paid to you from the plan. These limits include:

- ◆ Pensionable pay used to calculate pay-based credits cannot exceed \$250,000 in 2012, the last plan year in which pay-based credits accrued.
- ◆ Annual benefit payable as a Life Annuity at your Normal Retirement Date cannot exceed \$200,000 in 2012, the last plan year in which pay-based credits accrued. This limit must be adjusted if your benefit is paid beginning at a different time or in a different form.

Also, if you have an accrued benefit under the Legacy Household benefit formula or under the Legacy HBUS benefit formula, that legacy benefit must be combined with your Cash Balance section benefit before the \$200,000 limit is applied.

When benefits are paid

Your Cash Balance benefit will be paid when you leave HSBC after you earn at least three Years of Vesting Service or after you reach age 65. However, if you are an employee of HSBC at any time on or after December 31, 2012, your Cash Balance benefit will be paid when you leave HSBC regardless of your age or how many Years of Vesting Service you have earned.

Your benefit will be paid beginning on your Annuity Starting Date, regardless of the form of payment. Your Annuity Starting Date is normally the first day of a month determined by agreement between you and the plan, which occurs after you have left HSBC and after you have submitted a request for payment of your benefit. See Applying for Benefits beginning on page 13.

If you leave HSBC before your Normal Retirement Date, payment can begin as soon as is administratively reasonable after you leave HSBC or you can defer payment, but not beyond your Normal Retirement Date. If you defer payment, your Cash Balance Account will continue to grow with interest rate credits (but not pay-based credits) until payment begins.

If you leave HSBC on or after your Normal Retirement Date, your Annuity Starting Date will normally be the first day of the month beginning after you leave HSBC. You will have no right to defer payment.

If your Cash Balance Account is more than \$1,000, benefit payments cannot begin until at least 30 days after you have received certain explanations and disclosures included in your Retirement package, unless you waive this 30-day requirement, in which case payments can begin seven days after you have received your Retirement package. (Of course, you will not begin to receive benefits until the plan administrator has processed your request, which may be some days after you have returned the election form included in your Retirement package.)

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan, the benefit earned under the Legacy Household formula or the Legacy HBUS formula will only become payable at the time provided in the Legacy Household SPD or Legacy HBUS SPD, for example, on your early retirement date as described in the applicable SPD.

If you die before benefits are paid

If you die while an active employee or after you leave HSBC but before your Annuity Starting Date, your Cash Balance formula benefit (if vested) will be paid to your spouse or other beneficiary.

If you are married, your surviving spouse will receive your entire Cash Balance formula benefit as a Life Annuity or can choose to receive a lump-sum payment at the time of your death.

If you are not married or have designated a beneficiary other than your spouse, with your spouse's written consent, your beneficiary automatically will receive a lump-sum payment.

If you die on or after your Annuity Starting Date, the benefit payable to your surviving spouse or other beneficiary will depend on the form of benefit payment you elected before your Annuity Starting Date. If you elected a lump sum but die before the lump sum is paid, it will be paid to your surviving spouse or other beneficiary. If you elected a Life Annuity, no amount will be paid after your death. If you elected a form of annuity that included a survivor benefit, the survivor benefit will be paid to your spouse or beneficiary.

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan, and you die before your Annuity Starting Date, the benefit earned under the Legacy Household formula or the Legacy HBUS formula will in most cases be paid only if you are married or have a domestic partner and, in such case, will be paid as a spouse's preretirement survivor benefit as described in the applicable SPD.

How benefits are paid

Your Cash Balance formula benefit will be paid under one of several optional forms of annuity or you can receive a lump-sum payment. If you are married, your spouse must consent if you choose to receive your benefit under a payment method other than the 50% Joint and Survivor Annuity or a 75% Joint and Survivor Annuity, with your spouse as beneficiary.

If the present value of your benefit under the plan is \$1,000 or less when you leave HSBC, the full amount will be paid to you as a lump sum unless you elect to have some or all of the amount paid as a direct rollover to an eligible employer plan or IRA.

If the present value of your benefit under the plan is \$5,000 or less when you leave HSBC, but more than \$1,000, the full amount will be rolled over into an IRA established on your behalf by the Administrative Committee unless you elect to have your benefit paid to you as a lump sum or paid as a direct rollover to an eligible employer plan or IRA.

If you have never participated in the Legacy Household or Legacy HBUS section of the plan, the present value of your benefit under the plan will be the amount credited to your Cash Balance Account. If you did participate in the Legacy Household or Legacy HBUS section of the plan, the present value of your benefit under the plan will include both the amount credited to your Cash Balance Account and the present value of your benefit under the legacy section of the plan in which you participated.

Note that, unless your benefit under the plan is \$5,000 or less when you leave HSBC, you must apply to receive your plan benefit. See Applying for Benefits beginning on page 17.

Normal payment methods

Your Cash Balance formula benefit will be paid in one of the following normal payment methods unless you elect an optional payment method:

- ◆ If you are not married, your normal payment method is a Life Annuity. You receive a monthly benefit for the remainder of your life, with no benefits paid after your death.
- ◆ If you are married, your normal payment method is a 50% Joint and Survivor Annuity. You receive a monthly benefit for the rest of your life. After your death, your surviving spouse receives a monthly benefit for the rest of his or her life. Your surviving spouse's benefit amount is equal to 50% of the monthly amount you received. If your spouse dies before you do, no benefits are paid after your death.

Your monthly payment under the Life Annuity is calculated by converting the balance of your Cash Balance Account on your retirement date (your Annuity Starting Date) into an Actuarially Equivalent Life Annuity beginning on that date using the Applicable Interest Rate and Applicable Mortality Table.

Your monthly payment under the 50% Joint and Survivor Annuity is calculated in a manner similar to your payment under a Life Annuity except that the monthly amount is smaller than the amount under a Life Annuity because payments may be made over two lifetimes (your life and your surviving spouse's life). The reduction amount is determined based on your age at the time payments begin and the difference in age between you and your spouse. For more information, log on to HSBC's pension administration Web site at www.yourbenefitsresources.com/hsbc or call the HSBC Benefits Center at 1-800-847-0615 between 8:00 a.m. and 6:00 p.m. Central time, Monday through Friday.

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan, the benefit earned under the Legacy Household formula or the Legacy HBUS formula will be paid in a form described in the Legacy Household SPD or Legacy HBUS SPD, as applicable. You will be permitted to elect

payment of your Cash Balance formula benefit in a form (described in this SPD) that is different from the form in which your Legacy Household formula benefit or Legacy HBUS formula benefit is paid.

Example of a life annuity calculation

Suppose you leave HSBC on June 15, 2009, which is your 55th birthday, when your Cash Balance Account balance is \$100,000, and you decide to receive benefit payments in the form of a Life Annuity beginning on the first day of the month following your 55th birthday. Your account balance will be converted into an Actuarially Equivalent Life Annuity beginning on July 1, 2009 which provides monthly payments for life equal to \$585.98. (Note that the amounts used in this example are based on the Applicable Interest Rate and the Applicable Mortality Table in effect under the plan for 2009. These factors will be different in future years.)

If you decided to wait until your Normal Retirement Date to begin receiving monthly payments, the monthly payment would be the Actuarial Equivalent of your Cash Balance Account determined on your Normal Retirement Date. Your Cash Balance Account balance on that date would be based on actual interest rate credits credited to your account between age 55 when you left HSBC and age 65 when monthly payments begin.

Optional payment methods

You can choose to receive your Cash Balance formula benefit under any of the following optional payment methods by logging on to Your Benefits Resources Web site or calling the HSBC Benefits Center. You will receive a confirmation form in the mail after you make your election.

The full amount of any optional payment method you elect will be Actuarially Equivalent to the value of your Cash Balance Account. For this purpose, actuarial equivalence is determined using the Applicable Interest Rate and Applicable Mortality Table. However, the actuarially equivalent benefit cannot be smaller than the same optional form of benefit determined as of January 31, 2006 using the actuarial assumptions then incorporated into the plan.

- ◆ **Life Annuity.** As described above, monthly payments are made for your lifetime only.
- ◆ **50% or 75% Joint and Survivor Annuity.** You receive a monthly benefit for the rest of your life. After your death, your beneficiary receives a monthly benefit for his or her lifetime. The benefit amount is equal to 50% or 75% (your choice) of the monthly amount you received. If your beneficiary dies before you do, no benefits are paid after your death. You can name anyone as your beneficiary. However, if you are married when payments begin and want to name someone other than your spouse as beneficiary, your spouse must consent to your election in writing, in the presence of a notary public.

Your monthly payment amount under the 50% or 75% Joint and Survivor Annuity is smaller than under the Life Annuity payment method, because payments may be made over two lifetimes (your life and your beneficiary's life). The reduction amount is determined based on your age at the time payments begin and the difference in age between you and your beneficiary. For more information, log on to HSBC's pension administration Web site at www.yourbenefitsresources.com/hsbc or call the HSBC Benefits Center at 1-800-847-0615 between 8:00 a.m. and 6:00 p.m. Central time, Monday through Friday.

- ◆ **Estate Protection Annuity.** You receive a reduced monthly benefit during your lifetime that is Actuarially Equivalent to your benefit payable under a Life Annuity. If you die before the total monthly payments made to you equal the Actuarially Equivalent lump-sum value of your benefit at retirement, the remaining value is paid as a lump-sum to your estate or to your beneficiary.
- ◆ **Lump sum.** You can choose to receive the full value of your Cash Balance Account as a lump-sum payment, with no additional payments made from the plan.

Naming a beneficiary

You can name anyone as your beneficiary. However, if you are married, including if you are legally separated, and want to name someone other than your spouse as beneficiary, your spouse must consent to your election.

To designate or update your beneficiary designation, go to Your Benefits Resources Web site at www.yourbenefitsresources.com/hsbc or call the HSBC Benefits Center at 1-800-847-0615 between 8:00 a.m. and 6:00 p.m. Central time, Monday through Friday.

If you do not designate a beneficiary or if your designated beneficiary dies before plan payments are due, your Cash Balance formula benefit will be paid in equal shares in this order: Your--

- ◆ Spouse, if living;
- ◆ Descendants, per stirpes, meaning that each “branch” of your family receives an equal share. For example, if your children are to share equally, but one of them predeceases you, his or her share is allocated to his or her descendants.
- ◆ Parents, if living;
- ◆ Brothers and sisters, if living; or
- ◆ Executors and administrators of your estate.

You cannot change your beneficiary designation after payments begin.

Applying for benefits

Generally, you must apply for your plan benefits in order to receive them. You can apply by logging on to Your Benefits Resources Web site at www.yourbenefitsresources.com/hsbc or by contacting the HSBC Benefits Center at 1-800-847-0615 between 8:00 a.m. and 6:00 p.m. Central time, Monday through Friday. You should apply as soon as possible after you make the decision to begin receiving benefit payments because it may take several weeks after you initiate a request for benefits before payments begin.

The HSBC Benefits Center will send you a Retirement package with information on your benefits and the payment methods available to you. Because of legal requirements, you will not receive the Retirement package more than 180 days before the date on which you want payments to begin (your Annuity Starting Date). Information in your Retirement package will instruct you to call the HSBC Benefits Center to make your benefit elections, or to make your benefit elections online via Your Benefits Resources Web site. Once your elections have been submitted, you will receive a Pension Election Confirmation Statement and a Pension Election Authorization Form which will confirm the elections you made. You must complete and return the Pension Election Authorization Form, which will include a spouse's consent form that your spouse must execute before a notary public if you are married and elect to receive your benefit in any form other than a Joint and Survivor Annuity with your spouse as the beneficiary.

You can revoke your benefit elections any time on or before your Annuity Starting Date. After your Annuity Starting Date, your benefit elections are irrevocable. If you revoke your election as to the form of benefit payment, the default provisions of the plan will apply; that is, you will receive your benefit in the normal payment method, unless you submit a properly completed new election (with spousal consent if required) on or before your Annuity Starting Date.

Once you have initiated a request for benefits, it has been documented, and you (and your spouse if necessary) have completed and returned the necessary forms, the HSBC Benefits Center will process your request.

It is your responsibility to determine that the HSBC Benefits Center has properly calculated your benefit. If you do not understand how your benefit was calculated, you should ask the HSBC Benefits Center for an explanation.

If your request for a benefit is denied

Note that the following sections of this SPD will be applied separately to your Cash Balance formula benefit and any benefit you have earned under the plan's Legacy Household formula or Legacy HBUS formula as if those two benefits were payable to you under separate plans. For example, a failure to exhaust administrative remedies with respect to your Cash Balance formula benefit will not be treated as a failure to exhaust administrative remedies with respect to legacy formula benefit.

Benefit claim procedure

If you are dissatisfied with the response of the HSBC Benefits Center to your request for benefits, for example, if you believe that you are not receiving the entire benefit to which you are entitled, you must file a benefit claim with the Administrative Committee.

You must file your benefit claim within one hundred and eighty (180) days after benefit payments begin if you have begun to receive any benefit under the plan, or within one hundred and eighty (180) days after the denial of your benefit request (see Applying for Benefits) if the HSBC Benefits Center determines that you are not entitled to any benefit under the plan.

If you do not file a benefit claim within the time required, you will lose the right to file a benefit claim in the future and you will have failed to exhaust your administrative remedies under the plan. Therefore, you will not be entitled to have a court review the HSBC Benefits Center's response to your request.

- ◆ Your benefit claim must be filed in writing. Telephone inquiries will not be considered a benefit claim.
- ◆ Your claim may be in the form of a letter or memorandum addressed to the Administrative Committee. You may file your claim by mailing it or hand delivering it to the following address:

Employee Benefit Plan Administrative Committee
HSBC – North America
c/o Employee Law – Benefits
1421 W. Shure Drive, Suite 100
Arlington Heights, 60004

- ◆ Your claim should identify the plan and the benefit you believe you are entitled to receive.
- ◆ You should explain why you believe the response to your request was in error, and you should include copies of any documents you believe should be considered in deciding your claim.

Your benefit claim will be decided by a subcommittee of the Administrative Committee (the "Subcommittee"). The Subcommittee generally has 90 days to make a decision after it receives your claim. The 90-day period may be extended for another 90-day period if it is found that special circumstances require an extension of time. In that case, prior to the expiration of the first 90-day period, you will be informed in writing of the reason for the extension, and the date on which a decision is expected.

The decision of the Subcommittee will be provided to you in writing. If the Subcommittee denies your claim in whole or in part, its written decision will contain:

- ◆ The specific reason for the denial;
- ◆ References to the plan provisions on which the denial is based;
- ◆ A description of any additional material or information necessary to perfect your claim and an explanation of why the information is necessary; and

- ◆ A description of the plan's appeal procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under Section 502(a) of ERISA if the denial of your claim is affirmed following an appeal of your denied claim.

If you do not receive notice of acceptance or denial of your claim (or notice of extension of time within which the Subcommittee will make its decision) within the time limits described above, you may commence a lawsuit under ERISA to pursue your benefit claim. If you do receive a timely notice of denial of your benefit claim, you must appeal the denial of your benefit claim, as described below, before you can commence a lawsuit under ERISA.

The Subcommittee will decide your appeal as well as your initial claim. However, you can use your appeal as an opportunity to respond to issues raised by the Subcommittee's in its written decision on your initial claim and/or to provide additional information or raise additional issues not contained in your claim.

Appeal procedure

You must file an appeal if your claim is denied in whole or in part and you wish to challenge that denial. You must file the appeal within 60 days of your receipt of the notice denying your claim.

- ◆ To file an appeal, you must submit the appeal in writing to the Administrative Committee in the same manner as you submit an initial claim. Telephone inquiries will not be considered an appeal.
- ◆ Your appeal should be in the form of a letter, statement or memorandum. Your appeal should explain why you disagree with the Subcommittee's decision to deny your claim. For example, if you believe that the Subcommittee based its decision on incorrect facts, you should describe what you believe are the correct facts. Similarly, if you believe that the Subcommittee based its decision on an incorrect interpretation of the plan or the applicable law, you should describe what you believe is the correct interpretation.
- ◆ You may submit written comments, documents, records, and other information relating to your claim.
- ◆ You will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits. You may obtain these materials by contacting the Administrative Committee.

If you fail to submit an appeal within 60 days after receiving notice that your benefit claim has been denied in whole or in part, as described above, you will lose the opportunity to submit an appeal. You will also lose the opportunity to have the denial of your benefit claim reviewed by a court.

If you submit an appeal within 60 days after receiving notice that your benefit claim has been denied, the Subcommittee will review its denial of your claim and consider any issues raised in your appeal. The Subcommittee will provide you with its decision within 60 days after it receives your appeal. The 60-day period may be extended for another 60-day period if it is found that special circumstances require an extension of time. In that case, prior to the expiration of the first 60-day period, you will be informed in writing of the reason for the extension, and the date on which a decision is expected.

The Subcommittee's decision will be given to you in writing. If the Subcommittee's decision affirms the denial of your claim in whole or in part, its written decision will contain:

- ◆ The specific reason or reasons for the adverse determination;
- ◆ References to the specific plan provisions on which the benefit determination is based;
- ◆ A statement that you will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits. You may obtain these materials by contacting the Administrative Committee; and
- ◆ A statement of your right to bring a lawsuit under Section 502(a) of ERISA in order to obtain a judicial review of the Committee's decision.

Judicial review of committee's decision

If you do not receive the Subcommittee's decision within the time limits described above, after you have filed a claim or an appeal of a denied claim, you may file a lawsuit under ERISA to pursue your benefit claim.

If you receive the Subcommittee's decision within the time limits described above, but the decision affirms the denial of your claim in whole or in part, you may bring a lawsuit under Section 502(a) of ERISA in order to obtain a judicial review of the Subcommittee's decision.

No lawsuit may be brought to recover benefits under the plan unless you have exercised the benefit claim and appeal rights described above within the specified time frames and the plan benefits claimed in such claim and appeal have been denied in whole or in part.

After exhaustion of the claim and appeal procedures, any further legal action taken by you or your legal representative against the plan or its fiduciaries for benefits must be filed in an appropriate court of law no later than 180 days after the Subcommittee's final decision regarding your appeal of your denied claim. Otherwise, you will lose your right to bring a lawsuit under Section 502(a) of ERISA, regardless of whether all comments, documents, records, or other information relating to your claim were submitted or considered when the initial claim or appeal of denied claim was decided. Failure to comply with the 180-day time frame will result in a loss of any entitlement to benefits under this plan with respect to the denied claim and appeal.

Claims by beneficiaries or others

The above benefit claim and appeal procedures also apply with respect to any person who claims a right to receive some or all of your benefit under the plan, including an alternate payee making a claim pursuant to a qualified domestic relations order (QDRO) and your spouse, estate, or beneficiary making a claim after your death. The claimant may file a claim with the [Administrative Committee](#) and if the claim is denied in whole or in part by the Subcommittee, the claimant may file an appeal of the denied claim, as described above.

Authorized representative

When submitting a claim or an appeal, you can authorize a representative to act on your behalf by providing written notification of the representative. The written notification must include the representative's name, address, and phone number. If you are unable to provide a written statement, the plan requires other written proof (such as power of attorney or court order of guardian/conservator) that the representative has been authorized to act on your behalf.

Once a representative is authorized, all future related correspondence will be sent to the authorized representative. The plan will recognize the designated, authorized representative for one year, or as mandated by a court order, before requiring a new authorization. However, you can revoke a designated authorized representative at any time by submitting a signed statement.

The [Administrative Committee](#) reserves the right to withhold information from a person who claims to be an authorized representative if there is suspicion about the qualifications of that individual.

Situations that could affect your benefit

If you are reemployed by HSBC

If your employment terminates with all HSBC Affiliates and you are later reemployed by an HSBC Affiliate, your treatment under the Cash Balance section of the plan will depend on whether you began to receive benefits before reemployment.

Reemployment before your annuity starting date

If you are reemployed by HSBC before your Annuity Starting Date, the following rules apply:

- ◆ You will be fully vested in your Cash Balance Account and your Cash Balance Account will continue to grow with the addition of interest rate credits.
- ◆ You will not receive any benefit payment until your reemployment ends.
- ◆ After your reemployment ends, you will receive your benefit when you become eligible as described in the section entitled When Benefits Are Paid, on page 13.

Reemployment after receiving a lump-sum distribution

If you are reemployed by HSBC after you receive a lump-sum distribution of your Cash Balance Account, you will have a Cash Balance Account equal to zero. Also, because the plan was frozen on December 31, 2012, you will not earn any additional benefit under the plan.

Reemployment after beginning to receive annuity payments

If you are reemployed by HSBC after beginning to receive your benefit in the form of annuity payments, the following rules apply:

- ◆ Payment of your monthly benefits will be suspended.
- ◆ Your Cash Balance Account balance will be recomputed in accordance with the following rules:
 - (1) Your Cash Balance Account balance, determined as of your original Annuity Starting Date, will be increased by interest from the date of your original Annuity Starting Date to the date when monthly benefits are suspended. The interest rate for the increase made with respect to each plan year between your Annuity Starting Date and the benefit suspension date will be the interest rate credit rate used to calculate interest rate credits for that plan year.
 - (2) Each monthly benefit payment made to you before your reemployment will be increased by interest from the date of payment to the date when monthly benefits are suspended. The interest rate for the increase is the Applicable Interest Rate in effect for each year between your Annuity Starting Date and the benefit suspension date.
 - (3) The sum of all monthly benefit payments, increased by interest as provided in (2), will be subtracted from your Cash Balance Account balance, increased by interest as provided in (1). The remainder of your Cash Balance Account balance will be your Cash Balance Account as of your date of reemployment.
 - (4) Your Cash Balance Account balance determined as of any date after your reemployment will be your Cash Balance Account balance determined under (3) increased by interest rate credits and, if you are reemployed by a Participating Employer, increased by pay-based credits earned after your reemployment.

- ◆ If your original benefit payments began on or after your Normal Retirement Date, when you again leave HSBC your benefit will be recomputed based on your new Cash Balance Account balance and will immediately resume payment in the same form of annuity as your original benefit payments.
- ◆ If your original benefit payments began before your Normal Retirement Date, when you again leave HSBC you will have a new Annuity Starting Date on a date chosen by you. Your new Annuity Starting Date must be no later than your Normal Retirement Date, or the first day of the month following your termination of employment if you leave HSBC after your Normal Retirement Date. You will be permitted to make a new benefit election with respect to the payment of your new Cash Balance Account balance.

If you are transferred

After December 31, 2012 you will be treated the same whether you are employed by HSBC – North America or a Participating Employer, or you transfer to an HSBC company that has not adopted the plan. In all cases, if you are employed by HSBC on or after December 31, 2012, your Cash Balance Account will be fully vested and will continue to grow with the addition of interest rate credits (but no pay-based credits after December 31, 2012) until your Cash Balance Account is distributed to you or converted to an annuity.

Assignment of benefits

As a general rule, you cannot assign your benefits under the plan and no one may enforce a claim against them. This means that you cannot sell your interest in the plan, give it away, use it as collateral for a loan, or otherwise transfer it to another person.

In general, your creditors cannot attach, garnish, or otherwise interfere with your benefits under the plan. However, the plan must comply with a qualified domestic relations order.

Qualified Domestic Relations Orders (QDRO)

Some or all of your vested benefit may be paid to a spouse, former spouse, child, or other dependent (called an “alternate payee”) pursuant to a qualified domestic relations order (QDRO) issued by a court under state domestic relations law in connection with a divorce, separation, or other proceeding to settle alimony, division of marital property, or child support. If the plan administrator receives such an order, it will notify you and it will direct the trustee to make payments in accordance with the order. These payments can be made once you have reached the earliest age at which you could receive benefits under the plan, even if you are still employed. Your interest in the plan will be reduced by any payment made pursuant to a QDRO.

QDRO payments are subject to the QDRO procedures adopted by the Administrative Committee. Participants and alternate payees can obtain, without charge, a copy of the QDRO procedures by contacting the HSBC Qualified Order Team at 1-888-858-5500 between 8:30 a.m. and 5:00 p.m. Central time, Monday through Friday.

If you die or are disabled during military service

If you die while on military leave, your beneficiary will receive any additional benefits that would have been provided to you had you resumed employment prior to your death. This includes Vesting and ancillary death benefits (if any), but not additional accruals.

If you die while performing qualified military service (as defined under the Uniform Services Employment and Reemployment Rights Act [USERRA]), your survivors will be entitled to any additional benefit that would have been paid if you had resumed active employment and then terminated employment on account of death.

How benefits could be reduced, lost, or delayed

Your pension benefits under the plan can be reduced, lost, or delayed if one of the following applies:

- ◆ You are not Vested when you leave HSBC and you leave before age 65. In this case, neither you, nor your spouse or other beneficiary, nor any alternate payee under a QDRO is entitled to a plan benefit. However, if you are employed by HSBC on or after December 31, 2012, you will be Vested in your Cash Balance Account.
- ◆ Your benefit is the subject of a QDRO which requires payment of all or part of your payment to an alternate payee and corresponding reduction in the amount payable to you.
- ◆ You do not provide the HSBC Benefits Center with your current address and you cannot be located.
- ◆ You or your beneficiary is legally incapable of giving a valid receipt for any benefit paid and no guardian is appointed. In this case, the plan can make payment to the person or persons who have assumed the care and principal support for you or your beneficiary.
- ◆ You separate from service before your Normal Retirement Date, but at a time when you are eligible to receive payment, and you choose to defer receipt of your benefit. If your benefit is greater than \$5,000, you can defer receipt of your benefit until the later of your termination of employment with HSBC or your Normal Retirement Date.
- ◆ You fail to initiate a proper request for benefits or fail to provide necessary information.
- ◆ The plan is terminated at a time when there are insufficient assets in the trust to pay all plan benefits. In this case, payment of your benefit may be guaranteed in whole or in part by the Pension Benefit Guaranty Corporation (PBGC).
- ◆ Your benefit is reduced under Internal Revenue Code Section 415, which governs the maximum amount that can be paid to a participant from qualified pension plans.
- ◆ Benefit payments are restricted under Internal Revenue Code Section 436, which limits lump sum payments and certain other payments if the plan is deemed insufficiently well-funded. If you elect a form of payment that is restricted under Section 436, you will be permitted to elect a different, non-restricted form of benefit, or to defer payment until a subsequent year when the payment may no longer be restricted. However, you will not be permitted to defer payment beyond April 1st of the calendar year following the calendar year in which you attain age 70-1/2 (or such other Required Beginning Date as may apply to you under the plan) even if that means you must elect a different, non-restricted form of benefit.

The actual amount of your benefit is determined under the terms of the official plan document based on final data. If there is a difference between the amount of your benefit determined under the official plan document and the amount described in any benefit estimate you are provided, the plan pays the amount determined under the plan document, even if that amount is less. In addition, the plan administrator reserves the right to take steps to correct or recover any erroneous benefit payments.

Social Security

An important source of retirement income is your monthly Social Security benefit. HSBC has shared equally with you in the cost of providing these benefits by matching your own contributions to Social Security – dollar for dollar.

There are a few facts about Social Security benefits that you should keep in mind:

- ◆ Social Security benefits will not change your benefits from this plan. Your benefit from this Plan is **in addition** to any benefits you or your spouse may receive from Social Security.
- ◆ Social Security benefits replace a higher percentage of income for retiring participants at lower pay levels. It is impossible to determine the exact amount you will receive until you actually apply for Social Security benefits, since benefits are subject to change.
- ◆ You may receive an estimate of your Social Security benefits from the Social Security Administration each year or you can obtain an estimate by contacting the Social Security Administration. You should check the record of your earnings to be sure you receive the correct Social Security benefits in the future. The Social Security Administration has also developed retirement planning aids that you can access at its Web site: www.ssa.gov.
- ◆ The government has gradually increased the Social Security full retirement age. Social Security full retirement age is the age at which you can collect full retirement benefits from Social Security without any reduction for early retirement. The chart below shows what your Social Security full retirement age is, depending on your year of birth.

Year of birth	Full retirement age
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 or later	67

- ◆ If you plan to retire before your Social Security full retirement age, you will receive a reduced Social Security benefit (unless you wait to receive Social Security). Retirement benefits from Social Security are not payable before age 62.
- ◆ You should apply for Social Security benefits before your actual retirement date. When you apply, you should take your birth certificate as proof of your age. You may be required to present your marriage certificate. It is also helpful to take your W-2 form for the previous year.
- ◆ If you are married at the time you begin to receive your monthly Social Security retirement check, your spouse may also be eligible to receive a retirement benefit at your Social Security retirement age. Your spouse's benefit will be up to one-half of your benefit or a benefit based on your spouse's earnings, whichever is larger.
- ◆ If you die after you and your spouse have begun to receive Social Security retirement benefits, your spouse will continue to receive benefits.

General plan information

This document is your Summary Plan Description (SPD) for purposes of the Employee Retirement Income Security Act of 1974 (ERISA). It highlights rights and obligations of participants under the employee benefit plan established by the plan sponsor. All of the details of the plan are not provided. The operation of the plan is governed by the official plan documents.

This Summary Plan Description does not create a contract of employment and you only have a vested right to benefits under this plan as described in this booklet.

This Summary Plan Description does not describe all benefits provided under the plan but only those benefits provided under the Cash Balance section of the plan. Other benefits are described in separate Summary Plan Description booklets. You may obtain copies of these from the plan administrator.

Plan name

The HSBC – North America (U.S.) Pension Plan

Before January 1, 2010, the plan was known as the HSBC – North America (U.S.) Retirement Income Plan. Before January 1, 2005, the plan was known as the Household Retirement Income Plan.

Plan sponsor

The plan sponsor is:

HSBC North America Holdings Inc.
c/o Employee Benefits Law – Benefits
1421 W. Shure Drive, Suite 100
Arlington Heights, 60004
1-800-847-0615

Participating employers

The plan is provided for the benefit of eligible employees of HSBC – North America and Participating Employers which are HSBC companies doing business in the United States. You can receive a complete list of these employers and their addresses by writing to:

HSBC Performance & Rewards
95 Washington Street, 1 NW
Buffalo, New York 14203

Plan administrator

The plan administrator is:

Employee Benefit Plan Administrative Committee
c/o Employee Benefits Law – Benefits
1421 W. Shure Drive, Suite 100
Arlington Heights, 60004
1-800-847-0615

QDRO administrator

The QDRO administrator is:

HSBC Qualified Order Team
P.O. Box 1433
Lincolnshire, Illinois 60069-1433
1-888-858-5500 Fax: 1-847-883-9313 (draft orders only)

Agent for Service of Legal Process

The plan administrator, as named above, is the plan's agent for service of legal process. Accordingly, if legal disputes involving the plan arise, legal documents should be served upon the plan administrator or the plan trustee.

Type of plan

The plan is a defined benefit pension plan.

Plan identification number

The Internal Revenue Service assigns each employer an identification number. The Employer Identification Number (EIN) for HSBC North America Holdings Inc. is 23-2186091.

HSBC gives each separate plan in its benefit program a Plan Number (PN). The Plan Number for the plan is 001.

Plan year

Records for the plan are kept on a plan year basis, which is the same as the calendar year, beginning January 1 and ending the following December 31.

Plan administration

The Administrative Committee is the plan administrator who is responsible for administering the plan and complying with all ERISA reporting and disclosure laws applicable to the plan. The Administrative Committee has complete discretionary authority to interpret, apply, and administer the terms of the plan and to determine eligibility for benefits and the amount of any benefits under the plan.

Plan funding

HSBC – North America, with the assistance of actuaries, determines the benefit you will receive in the future. It then contributes money into a trust fund which, together with investment earnings, is intended to be sufficient to pay this benefit in the future. The minimum contribution that HSBC – North America must make into the trust fund each year, and the maximum contribution that it can make each year, are set by law and are based on the amount of benefits promised under the plan.

The plan assets held in the trust are invested by the trustee under the direction of investment advisors who are selected and monitored an Investment Committee consisting of individuals appointed by HSBC – North America. The Investment Committee is responsible for developing and implementing an investment policy that meets the needs of the plan.

Employee contributions are not allowed to the plan.

Plan trustee

A trustee holds the plan assets and distributes all pension benefits. The trustee for the plan is:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

Additional information about the plan

As a plan participant, you will automatically receive the following materials:

- ◆ An annual funding notice summarizing the funded status of the plan;
- ◆ A benefit statement advising you of the amount of your vested benefit under the plan at least once every three years;
- ◆ A summary of material changes made to the plan, within 210 days after the end of the plan year in which the changes are made;
- ◆ A complete, updated Summary Plan Description every five years if changes are made after you receive this booklet; and
- ◆ A complete Summary Plan Description every 10 years, even if no changes are made.

You will not receive additional information about the plan in a timely manner if the plan administrator cannot find you. Therefore, you should make certain that the Plan Administrator has your correct address on file.

Plan amendment

HSBC – North America reserves the right to amend the plan at any time for any reason, however, no amendment will reduce your Cash Balance Account balance under the plan. Also, no amendment may change the time or manner in which you are entitled to receive your benefit under the plan except as may be required by law. The plan may be amended by written instrument executed as directed by the Board of Directors of HSBC – North America or in some instances as directed by the Chief Executive Officer, Secretary, Chief Financial Officer, or the Executive Vice President-Human Resources and/or Administration of HSBC – North America.

Plan termination

HSBC – North America reserves the right to terminate the plan at any time and for any reason, to the extent permitted by law. If the plan is terminated and you were not already fully vested in your Cash Balance Account, you will become fully vested.

If the plan were terminated at a time when the trust held sufficient assets to pay the accrued benefits of all participants, the Administrative Committee would use the plan assets to pay expenses and to purchase a group annuity from an insurance company that would provide future benefits for each participant under terms and conditions similar to those of the plan. However, the Administrative Committee could provide for payment of each participant's benefit in some other manner that is consistent with the terms of the plan. Retirees, spouses and other beneficiaries receiving benefits, and former participants with vested benefits would be provided for in a similar manner. After provision had been made for the payment of all participant benefits, the remaining plan assets (if any) not needed to pay benefits would revert to the Participating Employers.

If the plan were terminated at a time when the trust held insufficient assets to pay the accrued benefits of all participants, the plan assets would be used, as provided by law, to pay expenses and to provide benefits to retired participants and spouses and other beneficiaries in pay status, to vested active participants and to terminated vested participants, and other participants in the order prescribed by law. If assets are not sufficient to provide all these benefits, the Pension Benefit Guaranty Corporation could take over the plan, as explained below. Neither HSBC – North America, nor any HSBC Affiliate, guarantees the payment of benefits.

Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency, insures benefits under the plan. The plan pays a premium on your behalf each year for this insurance. You are not charged for this protection.

If the plan ends without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received; but some may lose certain benefits.

The PBGC guarantee generally covers:

- ◆ Normal and early retirement pension benefits; and
- ◆ Certain survivor benefits.

The PBGC guarantee generally does not cover:

- ◆ Benefits greater than the maximum guaranteed amount set by law for the year in which the plan ends;
- ◆ Some or all of benefit increases and new benefits based on plan provisions that have been in place for less than five years at the time the plan ends;
- ◆ Benefits that are not vested because you have not worked long enough for HSBC;
- ◆ Benefits for which you have not met all of the eligibility requirements at the time the plan ends;
- ◆ Certain early retirement payments that result in an early retirement monthly benefit greater than your monthly benefit as of the plan's Normal Retirement Date; and
- ◆ Non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the plan has and how much the PBGC collects from employers.

For more information about the PBGC and the benefit guarantees, ask your plan administrator, or write to the PBGC at:

Technical Assistance Division
PBGC
1200 K Street N.W., Suite 930
Washington, DC 20005-4026

The PBGC also may be reached by calling 1-800-400-7242. TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 1-800-400-7242. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site at www.pbgc.gov.

Your rights under ERISA

As a participant in the plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants are entitled to certain rights, as outlined in the following information.

Receive information about your plan and benefits

You have the right to:

- ◆ Examine, without charge, at the plan administrator's office and at other specified locations, all documents governing the plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration (EBSA);
- ◆ Obtain, upon written request, copies of documents governing the operation of the plan, including insurance contracts, copies of the latest annual report (Form 5500 Series), and an updated Summary Plan Description (the plan administrator may make a reasonable charge for the copies);
- ◆ Receive the plan's annual funding notice, which the plan administrator is required by law to provide to each participant; and
- ◆ Request a statement, without charge, telling you whether you have a right to receive a pension as of your Normal Retirement Date (generally age 65) and, if so, what your benefits would be as of your Normal Retirement Date if you stop working now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months.

Prudent actions by plan fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called fiduciaries of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including the company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce your rights

If your request for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Please note that you may not begin any legal action, including proceedings before administrative agencies, until you have followed and exhausted the plan's request for benefits and review procedures.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest funding notice from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the plan administrator.

If you have a request for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with your questions

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the Employee Benefits Security Administration (EBSA), U.S. Department of Labor at:

Nearest Regional Office:	National Office:
Employee Benefits Security Administration U.S. Department of Labor Chicago Regional Office 200 West Adams Street, Suite 1600 Chicago, IL 60606 1-312-353-0900	Division of Technical Assistance and Inquiries Employee Benefits Security Administration U.S. Department of Labor 200 Constitution Avenue NW Washington, DC 20210 1-866-444-3272

You also can find answers to your plan questions, your rights and responsibilities under ERISA, and a list of EBSA field offices by visiting EBSA's Web site at www.dol.gov/ebsa.

Glossary

Many terms used in this SPD have special meanings. When used throughout this document, these terms are underscored and defined in this section.

Accrued benefit

Your Accrued Benefit under the Cash Balance section of the plan on any given date on or before your Normal Retirement Date is a Life Annuity beginning on your Normal Retirement Date. The Life Annuity is calculated by projecting the your Cash Balance Account balance from the date of determination to your Normal Retirement Date with interest rate credits at the interest rate in effect at the date of determination and converting the projected Cash Balance Account balance to an Actuarially Equivalent Life Annuity payable on your Normal Retirement Date. Your Accrued Benefit on any given date after your Normal Retirement Date is a Life Annuity that is Actuarially Equivalent to the balance of your Cash Balance Account determined on that date.

Actuarially equivalent

If your Cash Balance formula benefit is paid as a lump sum, the benefit will be an amount equal to your Cash Balance Account balance determined on the date of payment.

If your Cash Balance formula benefit is paid in the form of an annuity rather than a lump sum, it will be calculated as a Life Annuity beginning on the date you requested (your Annuity Starting Date) that is Actuarially Equivalent to the balance of your Cash Balance Account on that date. A Life Annuity is Actuarially Equivalent to your Cash Balance Account on a given date if the lump-sum present value of all expected monthly payments under the Life Annuity is equal to your Cash Balance Account balance on that date. The lump-sum present value of all expected monthly payments under the Life Annuity is calculated by discounting all future payments that could be made under the annuity by an assumed interest rate, using the Applicable Interest Rate, and an assumed mortality risk, using the Applicable Mortality Table.

If the form of annuity includes one or more payments after your death, then it is likely that a different number of payments will be made to you (and your beneficiary if any) than were assumed in calculating the monthly payment under a Life Annuity. In that case, the amount of your monthly payment may be adjusted so that the present value of all expected payments (calculated on the basis of the Applicable Interest Rate and the Applicable Mortality Table) is the same as a Life Annuity. When the present values on a specified date of annuities payable in different forms are the same, the annuities are said to be “Actuarially Equivalent.”

Administrative committee

The Administrative Committee is a committee of individuals appointed by HSBC – North America to administer the plan. The Committee has all powers, duties and responsibilities other than those reserved to the Board of Directors of HSBC North America Holdings Inc., the trustee of the plan, and the Investment Committee. The Committee’s authority includes full discretionary authority to determine eligibility for benefits and construe the terms of the plan.

Affiliate

A business organization is an Affiliate of a company if: (1) the business organization is at least 80 percent owned directly or indirectly by the company, (2) the business organization owns directly or indirectly at least 80 percent of the company, or (3) the business organization shares a common parent with the company if the common parent owns directly or indirectly at least 80 percent of the company and at least 80 percent of the business

organization. A business organization is not an Affiliate of a company during any period of time when none of these ownership relationships existed.

For example, Household and its subsidiaries became Affiliates of HSBC when Household was acquired by HSBC on March 28, 2003.

Annuity starting date

Your Annuity Starting Date is the first day of a calendar month that is the official beginning date of your benefit payments. In the case of a normal retirement benefit, your Annuity Starting Date is ordinarily your Normal Retirement Date. Your Annuity Starting Date is important for the following reasons:

- ◆ **Determine Benefit Amount.** The amount of your benefit is calculated with reference to your Annuity Starting Date.
- ◆ **Determine Marital Status.** The normal form in which your benefit will be paid is a Life Annuity if you are unmarried and a 50% Joint and Survivor Annuity if you are married. Whether you are married or unmarried will be determined as of your Annuity Starting Date.
- ◆ **Election of Optional Benefit Form.** You may elect to have your benefit paid in an optional form, and you may change your election, during the 180 day election period ending on your Annuity Starting Date. The form of benefit payment in effect on your Annuity Starting Date, whether a normal or optional form, will be irrevocable.
- ◆ **Determine Death Benefit (if any).** If you die before your Annuity Starting Date, no benefit will be paid to you. However, your Cash Balance Account balance will be paid to your surviving spouse or other beneficiary. If you die on or after your Annuity Starting Date, and you elected to have your benefit paid in the form of an annuity, the benefit payable after your death will be the survivor annuity or other payment, if any, payable under the form of annuity elected by you.

If you previously participated in the Legacy Household section or the Legacy HBUS section of the plan, you may have different Annuity Starting Dates for payments of your Cash Balance formula benefit and your legacy formula benefit. The rules concerning election of form of benefit payment and the requirement of spousal consent (if you are married and elect an optional form of benefit) will be applied separately with respect to your Cash Balance formula benefit and your legacy formula benefit.

Applicable interest rate

The Applicable Interest rate is the interest rate used under the plan to convert your Cash Balance Account into a Life Annuity, to convert a Life Annuity into a different form of annuity, and to adjust an annuity benefit amount because the payments begin on a date other than your Normal Retirement Date. Accordingly, the Applicable Interest Rate has meaning for you only if your Cash Balance formula benefit is paid in the form of an annuity and not as a lump sum. The Applicable Interest Rate changes each year under guidelines published by the Internal Revenue Service.

The Applicable Interest Rate is different from the interest rate credit rate which is used to calculate interest rate credits to your Cash Balance Account.

Applicable mortality table

The Applicable Mortality Table is the mortality table (a table used for assigning mortality risk) used under the plan to convert your Cash Balance Account into a Life Annuity, to convert a Life Annuity into a different form of annuity, and to adjust an annuity benefit amount because the payments begin on a date other than your Normal Retirement Date. Accordingly, the Applicable Mortality Table has meaning for you only if your Cash Balance formula benefit is paid in the form of an annuity and not as a lump sum. The Applicable Mortality Table may change each year under guidelines published by the Internal Revenue Service.

Cash balance

The term “Cash Balance section” is used in this SPD to refer to the component of the plan that applies a cash balance benefit formula (the “Cash Balance formula”) to determine the benefit of participants who were first employed by HSBC after 1996 or first employed by Household after 1999.

The Cash Balance formula was be used to determine all benefits earned under the plan after 2010 and before 2013. No benefits are earned under the plan after 2012.

The “Cash Balance SPD” is this summary plan description which describes the Cash Balance section of the plan. Participants who earned Legacy Household formula benefits or Legacy HBUS formula benefits before 2011 and who earn Cash Balance formula benefits after 2010 should consult the Legacy Household SPD or Legacy HBUS SPD, as applicable, for a description of those legacy formula benefits.

Cash balance account

Your Cash Balance Account is a notional account maintained in your name which is credited with your pay-based credits and your interest rate credits. The balance credited to your Cash Balance Account on any given day is your Cash Balance formula benefit under the plan.

HBUS

The term “HBUS Plan” refers to the HSBC Bank USA Pension Plan. The HBUS Plan was established as the Marine Midland Pension Plan on September 3, 1985. The name of the HBUS Plan was changed to HSBC Bank USA Pension Plan on March 29, 1999. The HBUS Plan was merged into the plan on December 31, 2004.

The term “Legacy HBUS section” is used in this SPD to refer to the component of the plan that applies the HBUS Plan final average pay benefit formula (the “HBUS formula”) to determine the benefit of participants who were first employed by HSBC Bank before 1996.

The term “Legacy HBUS formula benefit” is used in this SPD to refer to a pension benefit calculated under the Legacy HBUS formula set forth in the Legacy HBUS section of the plan and described in the Legacy HBUS SPD.

Hours of service

You are credited with a minimum of 45 Hours of Service for each week in which you earn one hour if you are a full-time employee; and for actual hours worked if you are a part-time employee.

You earn an Hour of Service for each hour for which you are paid, or entitled to payment, by HSBC. This includes time away from work for any of these reasons:

- ◆ Approved leave of absence;
- ◆ Illness, disability, jury duty, or military duty; and
- ◆ Temporary layoff.

Hours of service also includes any hours for which back pay is awarded or agreed to by an HSBC Affiliate.

Household

The term “Household” is used in this SPD to refer to HSBC Finance Corporation (formerly known as Household International, Inc.) and, where the context requires, any Affiliate of Household. Household was the original sponsor of the plan and only individuals employed by Household participated in the plan before 2005.

The term “Legacy Household section” is used in this SPD to refer to the component of the plan that applies the Legacy Household final average pay benefit formulas (the “Household formula”) to determine the benefit of participants who were first employed by Household before 2000.

The term “Legacy Household formula benefit” is used in this SPD to refer to a pension benefit calculated under any of the Household final average pay benefit formulas set forth in the Household section of the plan.

HSBC

The term “HSBC” as used in this SPD may refer to the entire HSBC controlled group of businesses, that is, HSBC Holdings plc and all of its direct and indirect subsidiaries, including HSBC – North America and any member of that controlled group. Because Household became a member of the HSBC controlled group of businesses on March 28, 2003, the term “HSBC” may be used in this SPD to refer to Household on and after that date.

Life Annuity

A Life Annuity is a form of benefit under which you receive equal monthly payments beginning on your Annuity Starting Date and continuing until your death. No payments are made to any person after your death.

Normal Retirement Date

Your Normal Retirement Date is the first day of the month on or after your 65th birthday. If your birthday falls on the first of the month, then your Normal Retirement Date is your 65th birthday.

Participating Employer

A Participating Employer is any HSBC Affiliate whose board of directors or other governing body has adopted the plan with the consent of HSBC – North America.

Pensionable pay

Pensionable pay was used to determine your pay-based credits under the plan before 2013. It includes the following compensation paid to you by a Participating Employer:

- ◆ Your base pay;
- ◆ Overtime, bonuses, commissions, payment in lieu of TOP time and temporary extra; and
- ◆ Any elective pre-tax contributions, made on your behalf, to the HSBC – North America (U.S.) Tax Reduction Investment Plan (TRIP), Flexible Benefits Plan (group medical, dental, and flexible spending account), Family Care Plus Plan, TransIT Plan, or to any other cafeteria plan maintained by HSBC – North America or Participating Employer that otherwise would have been credited as W-2 earning in a year.

Pensionable pay does not include:

- ◆ Any severance pay (whether paid in a lump sum or in the form of salary continuation);
- ◆ Any deferred compensation;
- ◆ Prizes, director’s fees, and credits or bonuses from any benefit plan maintained by HSBC – North America or Participating Employer; or
- ◆ Any compensation received from a HSBC Affiliate that is not a Participating Employer.

Pensionable pay is limited to the amount actually paid to you during your employment and to compensation paid within the later of 2-1/2 months after your severance from employment or the end of the year that includes your severance date.

Vested

Once you have become Vested in your benefit under the plan, your benefit cannot be forfeited (taken away) if your employment terminates for any reason before you reach retirement age.

You are Vested if your employment terminates on or after January 1, 2005 and you have three years of Vesting Service or if you reach age 65 while actively employed by HSBC. If your employment terminated on or after January 1, 1989 but before January 1, 2005, you needed five years of Vesting Service. You are also Vested if you are employed by HSBC at any time on or after December 31, 2012.

If you leave HSBC before you are Vested and you are later rehired by HSBC, your Years of Vesting Service earned before and after you are rehired will be combined to determine whether you are vested.

Years of vesting service

You receive a year of vesting service for each calendar year in which you earn 1,000 or more Hours of Service.

Additional pay-based credits

Former participants in HSBC Bank USA Retirement Plan

Certain HSBC employees will receive special pay credits for one or more of the plan years from 2005 through 2008, in addition to their regular pay-based credits. Employees who were first hired by the HSBC Group within the United States on or after January 1, 1997, and who participated in the HSBC Bank USA Retirement Plan (a profit-sharing plan sponsored by HBUS) became eligible to participate in the Cash Balance component of the plan on or after January 1, 2005.

The special pay credit is applied in a given plan year if the employee has five or more years of eligibility service before the first day of that year and has total earnings from HSBC in that year not exceeding the IRS limit on pensionable earnings.

The special pay credit is based on the percentage of the employee's Pensionable Pay that corresponds to his or her transition percentage as shown in the table below. The transition percentage for a given year is the fraction of Pensionable Pay that corresponds to incentive pay or bonuses for that plan year.

Transition percentage	Special pay credit (as a percentage of Pensionable Pay)
0%	1.00%
>0%, but less than 1%	0.92%
>1%, but less than 2%	0.84%
>2%, but less than 3%	0.76%
>3%, but less than 4%	0.68%
>4%, but less than 5%	0.60%
>5%, but less than 6%	0.52%
>6%, but less than 7%	0.44%
>7%, but less than 8%	0.36%
>8%, but less than 9%	0.28%
>9%, but less than 10%	0.20%
>10%, but less than 11%	0.12%
>11%, but less than 12%	0.04%
12% or more	N/A

Former Bank of Bermuda employees

Certain employees of Bank of Bermuda who became employees as a result of the merger with and into HBUS, effective March 1, 2005, will receive special pay credits for one or more of the plan years from 2005 through 2012, in addition to their regular pay-based credits.

The special pay credit is based on the percentage of the employee's Pensionable Pay that corresponds to his or her bonus a percentage of base pay for that plan year.

Transition percentage	Special pay credit (as a percentage of Pensionable Pay)
0%	2.00%
>0%, but less than 1%	1.92%
>1%, but less than 2%	1.84%
>2%, but less than 3%	1.76%
>3%, but less than 4%	1.68%
>4%, but less than 5%	1.60%
>5%, but less than 6%	1.52%
>6%, but less than 7%	1.44%
>7%, but less than 8%	1.36%
>8%, but less than 9%	1.28%
>9%, but less than 10%	1.20%
>10%, but less than 11%	1.12%
>11%, but less than 12%	1.04%
>12%, but less than 13%	0.96%
>13%, but less than 14%	0.88%
>14%, but less than 15%	0.80%
>15%, but less than 16%	0.72%
>16%, but less than 17%	0.64%
>17%, but less than 18%	0.56%
>18%, but less than 19%	0.48%
>19%, but less than 20%	0.40%
>20%, but less than 21%	0.32%
>21%, but less than 22%	0.24%
>22%, but less than 23%	0.16%
>23%, but less than 24%	0.08%
24% or more	0.00%