



PENSION CAPITAL STRATEGIES

PENSION CAPITAL STRATEGIES FTSE 100 REPORT REVEALS SURPRISE SURPLUS OF £18BN AND STRAIN ON BANK PENSION SCHEMES

London, 16 October 2008 – Pension Capital Strategies (PCS) has issued its latest quarterly report on the pension schemes of the FTSE100 updating their analysis to the end of the third quarter of 2008 and can reveal that its latest estimate of the total surplus in the pension schemes of the FTSE 100 amounts to £18 billion at 30 September 2008. This compares with a £2 billion deficit 12 months ago and a deficit of £8 billion at the end of June.

This analysis would suggest that pension schemes have enjoyed a good third quarter in 2008, but Charles Cowling, Managing Director, PCS, warns against being complacent. "In the last few days and weeks we have seen unprecedented conditions in financial markets. The fact that accounting rules may show a positive impact on pension schemes from this market turbulence does not mean that these are easy times for pension schemes.

"We have seen an improvement in pension surpluses because the accounting value of the pension liabilities has fallen even more than the pension scheme assets. But this is because under accounting rules the value of the liabilities is linked to the value of high quality (AA) corporate bonds. A large number of AA bonds are in the banking and financial sector and have been hit hard by the recent dramatic problems."

Charles Cowling continues, "The extreme market conditions we have experienced in October have not only caused turmoil in the banking sector, but they have also significantly increased the risks associated with the banks' own DB pension schemes.

"The DB pension liabilities of HBOS, Lloyds TSB and RBS are now significantly greater than each bank's equity market value. Equity investments held by the pension schemes of these three banks may also outstrip the banks' own equity market values (making the banks even more vulnerable to falls in the stock market)."

The table below compares the pension scheme assets and liabilities of banks in the FTSE 100, as disclosed in their most recent accounts (as at 31 December 2007), with the companies' current equity market values (as at 15 October 2008).

	DB Pension Schemes at 31 December 2007						
	Pension Assets £m	Pension Liabilities £m	Surplus/ (Deficit) £m	Funding Level	Bank Current Equity Market Value £m	DB Pension Liabilities as % of Bank Equity Market Value	Pension Scheme Equities as % of Bank Equity Market Value*
Barclays	18,027	17,476	551	103%	20,047	87%	37%
HBOS	7,329	7,623	(294)	96%	4,633	165%	91%
HSBC	15,175	16,128	(953)	94%	97,245	17%	4%
Lloyds TSB	16,112	16,795	(683)	96%	8,971	187%	95%
RBS	27,662	27,322	340	101%	10,755	254%	157%
Standard Chartered	1,252	1,404	(152)	89%	16,649	8%	3%

* The value of the equity investments held by the bank's pension scheme (as at 31 December 2007), expressed as a percentage of the bank's current equity market value

The PCS report, *The FTSE 100 and Their Pension Disclosures*, explores the pension disclosures of the FTSE 100 companies, as well as the steps being taken to address pension scheme deficits. To access the latest *The FTSE 100 and Their Pension Disclosures* report, please refer to the PCS website at: www.pensionstrategies.co.uk.

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Enquiries:

Charles Cowling

0161 242 5388

Rob Dales

0113 203 5883

Isabella Young

020 7895 782

Notes to Editors:

About Pension Capital Strategies

Pension Capital Strategies (PCS) was established in 2006 to help companies to manage their Defined Benefit pension obligations, offering advice on managing scheme assets and liabilities, on communication with trustees and on finding the right funding solutions.

A subsidiary of the Jardine Lloyd Thompson Group, PCS can draw upon skills and experience in the areas of corporate finance, tax, capital markets, asset management, actuarial and general pension regulation and practice to provide strategic advice and practical answers.