HSBC

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News Release

INVESTORS FACE £1bn PRECIPICE ON FIXED RATE PRODUCTS

- Longer term investments show largest fall in returns -

- UK bond investors face a £1bn shortfall in returns because of the drop in rates
- AERs on 5 year bonds now 2.47% lower than five years ago
- 5.3m fixed rate products worth nearly £93bn will mature in 2013
- 3 year fixed rate bond holders whose investments mature this year face the biggest fall in returns

New analysis from HSBC reveals that fixed rate bond holders face a substantial savings precipice this year when they come to reinvest. Rates have fallen significantly – up to 2.47% on some products – and left savers with the prospect of a far lower income from their investments once their current deals have matured.

Bruno Genovese, Head of Savings at HSBC, comments:

"As an increase in interest rates continues to look further into the distance, the knock on downward pressure being applied to saving rates is affecting the incomes of investors.

"Many savers value the guaranteed income and security offered by fixed rate products. However, those who want to reinvest their savings from matured fixed rate products into comparable deals this year may find that their income drops significantly. Savers need to consider all available options and this may not be to simply reinvest their savings in a similar product.

"Diversifying savings portfolios to have a variety of products can ensure that investors lessen the impact of falling interest rates. At HSBC, we can offer a range of options which offer a more stable way to invest for long-term growth."

Almost 5.3 million fixed rate products worth nearly £93 billion will mature in 2013, with the largest number due to mature in November (568,455). Of these products, 2.8 million have matured over the last six months, but the recent fall in rates means bondholders face a £1 billion fall in income if they reinvest their savings pot into similar products (see table 1).

Table 1: Savings Precipice Overview (previous six months)

Investment Period	No. of products matured	Total Investment	Total change in return if reinvested in same fixed term today
6 month	70,957	£2,483,037,724	-£2,076,026
1 year	1,349,591	£22,498,036,989	-£203,124,423
18 months	188,559	£5,019,324,501	-£78,128,458
2 years	454,902	£10,520,285,067	-£297,819,265
3 years	267,306	£5,949,408,915	-£341,848,655
4 years	12,212	£268,382,235	-£9,810,562
5 Years	419,600	£845,032,596	-£86,317,378
TOTAL	**2,763,127**	**£47,583,508,027**	**-£1,019,124,766**

Total Income Falls

All fixed rate products have been affected by the drop in rates and now offer lower returns if savers were to reinvest their money into the best-buy products currently available (see table 2). However, the biggest falls in income will be felt by 3, 5 and 2 year bond holders with drops of 52%, 50% and 45% respectively. Last year, holders of 1 year and 18 month bonds saw a slight rise in income, however even these product holders can now expect a fall in income of 39% and 38% respectively.

The smallest fall in income will be felt by 6 month bond holders, but, at 12% this drop will still have a significant impact.

Table 2: Individual Investors Savings Precipice (previous six months)

Investment Period	Average Investment*	Average Return**	Average change in potential income over investment period	Percentage change in potential income over investment period
6 month	£34,994	£229	-£28	-12%
1 year	£16,670	£478	-£184	-39%
18 Months	£26,619	£1,217	-£463	-38%
2 years	£23,126	£1,789	-£814	-45%
3 years	£22,257	£3,027	-£1,570	-52%
4 years	£21,977	£2,958	-£970	-33%
5 Years	£2,014	£497	-£249	-50%

* = For fixed rate investments maturing in 2012 ** = Based on Best Buy rates in month of investment

Individual Investor Falls

As well as the biggest drop in overall income, holders of 3 year bonds will suffer the biggest drop in individual income. The average investment in these bonds currently stands at £22,333 and if this were to be reinvested in the current best-buy products on offer, investors can expect a return of £3,037 – a fall of £1,576 compared to their last investment in 3 year bonds.

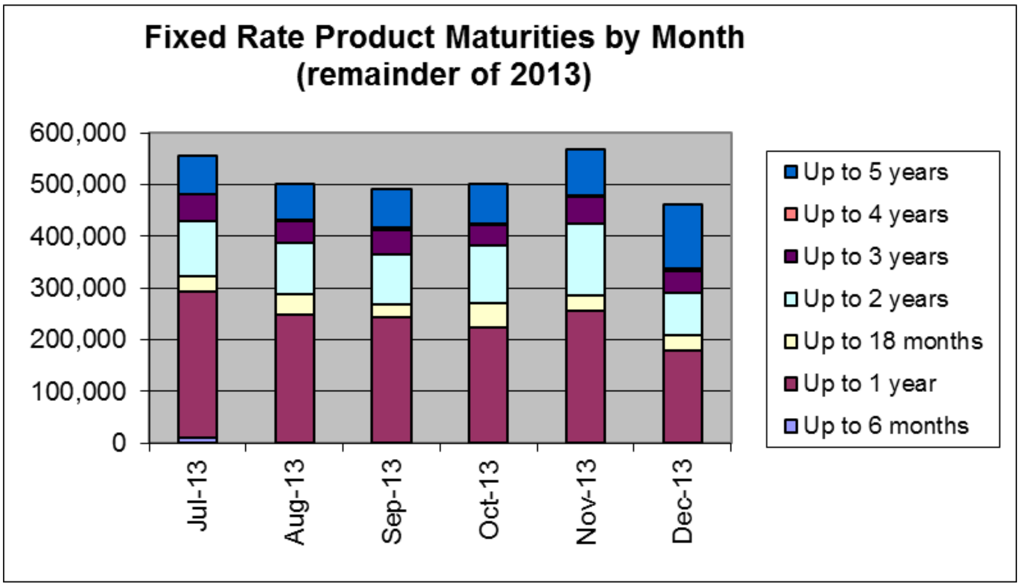
Fall in AERs

The fall in income across all fixed rate products is a result of a drop in average best-buy AERs available. The falls vary from 0.16% for 6 month bonds to 2.47% for 5 year bonds (see Table 3). Despite longer term bonds suffering the biggest falls in AERs, these products still offer higher rates than the shorter term investment options.

Table 3: Average Difference in AERs

Investment Period	Average change in Best Buy Rate
6 month	-0.16%
1 year	-1.11%
18 Months	-1.16%
2 years	-1.76%
3 years	-2.35%
4 years	-1.10%
5 Years	-2.47%

For those investors in the 3.1 million fixed rate products due to mature over the remainder of 2013 – particularly those 2, 3 and 5 year bonds in July and November (*see graph below*) - HSBC recommends that people seriously consider what the best possible home for their savings is.



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Notes to Editors

Table 4: Total number of fixed rate products maturing in 2013 (February to December inclusive).

Investment Period	No. Products	Total Investment
6 month	70,961	£2,483,107,385
1 year	2,499,576	£43,221,331,947
18 Months	359,960	£10,380,802,627
2 years	982,269	£23,979,087,225
3 years	489,574	£10,131,420,790
4 years	30,998	£689,832,578
5 Years	851,796	£1,920,987,361
TOTAL	**5,285,134**	**£92,806,569,913**

Methodology:

- CACI, which covers **87%** of the UK savings market, provided data on number and value of bonds
- Moneyfacts data on fixed-rate products were used to determine current and historic best buy interest rates (1st week of each month).
- All figures were determined on the understanding that the investor chose to take the income on each anniversary rather than leave the interest to roll up.
- The difference in income was compiled using the premise that - on maturity - the investor chose to transfer their savings pot from one type of best-buy fixed rate savings product to a

comparable term best-buy product. (i.e. a one year bond that matured in January 2013 to a one year bond that matures in January 2014).

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