HSBC

News Release

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HSBC REVEALS £124 MILLION SAVINGS PRECIPICE FACED BY UK FIXED RATE PRODUCT INVESTORS

- Longer term investments show largest fall in returns -

New analysis by HSBC reveals that longer term fixed rate investors in the UK are again facing a savings precipice this year when they come to reinvest, as rates for long term products continue to fall.

Over 4.9 million fixed rate products worth almost £94 billion will mature in 2012, with the largest number due to mature in November (519,997). The analysis reveals that those who invested in the 2.3 million fixed rate products that have matured thus far in 2012 will lose £124 million in income if they simply re-invest their savings pot into similar products (*see Table 1)*.

Table 1: Savings Precipice Overview H1 2012 (Jan to end of June)

Investment Period	No. of products matured H1 2012	Total Investment	Total change in return if reinvested in same fixed term today
6 month	114,687	£4,258,511,650	-£3,011,623
1 year	915,183	£21,950,369,232	£19,524,307
18 Months	67,740	£2,094,079,606	£5,819,923
2 years	503,522	£11,234,852,116	-£41,784,751
3 years	139,777	£3,167,136,535	-£12,011,078
4 years	19,522	£313,625,198	-£23,512,186
5 Years	541,854	£1,049,404,024	-£69,071,241
TOTAL	**2,302,285**	**£44,067,978,361**	**-£124,046,649**

However, most of the loss in income is down to the longer term products, with shorter term bonds generally offering increased returns. While investors who put their money into 1 year and eighteen month bonds will see a slight rise in the returns they receive by re-investing in the best buy products currently available, those who lock their money away for longer are likely to see the largest decline in returns, with 4 year products showing the largest fall in investment income *(see Table 2).* The shortest term (6 month) products will also produce a fall. **Table 2: Individual Investors Savings Precipice H1 2012** (Jan to June)

Investment Period	Average Investment*	Average Return**	Average change in income over investment period	Percentage change in income over investment period
6 month	£37,132	£557	-£25	-4%
1 year	£23,985	£815	£22	3%
18 Months	£30,913	£1,485	£65	4%
2 years	£22,313	£1,818	-£82	-4%
3 years	£22,658	£2,798	-£56	-2%
4 years	£16,065	£3,925	-£1,205	-31%
5 Years	£1,937	£573	-£128	-22%

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

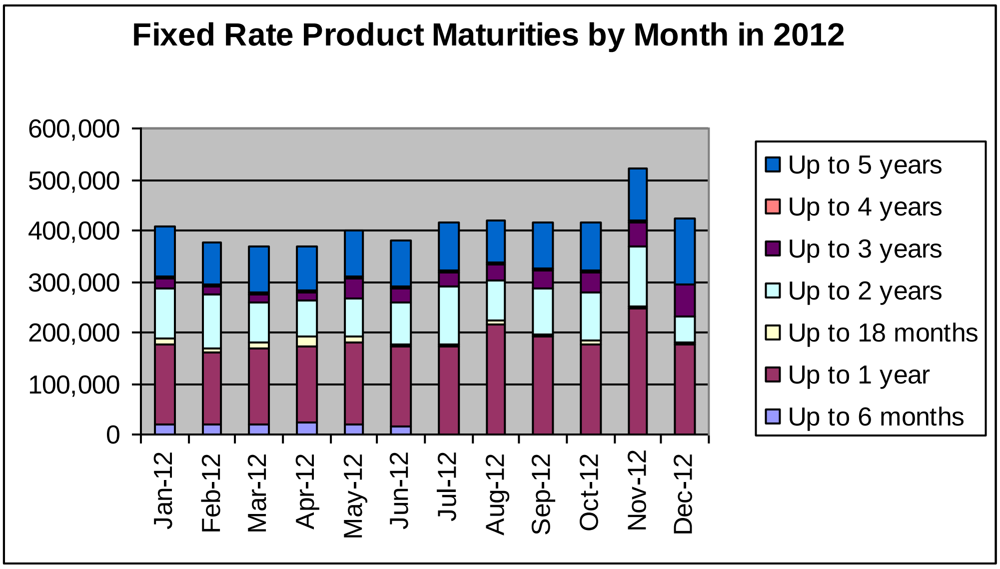
The average 4 year fixed rate bond investor will see their income fall by 31% or an average £1,205 if they re-invest over the same period this year. However, even those who re-invest into an eighteen month fixed rate product, which will offer the highest income rise in 2012, will only benefit from a 4% increase in returns.

These varying drops in income are a result of the drop in best-buy AERs available on fixed rate products, from a fall of 0.08% for three year bonds up to a fall of 1.88% for 4 year products *(see Table 3).* While eighteen month product rates have risen by 0.14%, the actual rate paid remains substantially higher for longer term bonds.

Table 3: Average Difference in AERs

Investment Period	Average change in Best Buy Rate
6 month	-0.13%
1 year	0.09%
18 Months	0.14%
2 years	-0.18%
3 years	-0.08%
4 years	-1.88%
5 Years	-1.32%

For those investors in the 2.6 million fixed rate products due to mature over the remainder of 2012 – particularly those 4 and 5 year bonds in November (*see graph below*) - HSBC recommends that people seriously consider what the best possible home for their savings is.



Bruno Genovese, Head of Savings at HSBC, comments:

"Many savers value the guaranteed income and security offered by fixed rate products and can often make higher returns on their money compared to those who aren't prepared to lock their money away and opt for ordinary savings accounts. 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 – a shock felt particularly for those approaching or in retirement.

"We urge people not to simply reinvest their savings in a similar product, but to seek advice and consider all their options first. By diversifying their savings portfolios, UK investors can make sure that they protect themselves as much as possible against falling interest rates. At HSBC, we can offer a range of options which offer a more stable way to invest for long-term growth."

-ENDS-

Notes to editors:

Table 4: Total number of fixed rate products maturing in 2012

Investment Period	No. Products	Total Investment
6 month	114,869	£4,267,243,253
1 year	2,093,699	£50,795,819,337
18 Months	101,775	£2,912,172,860
2 years	1,048,579	£23,640,297,368
3 years	382,916	£9,374,422,781
4 years	35,873	£557,487,351
5 Years	1,134,912	£2,227,633,848
TOTAL	**4,912,623**	**£93,775,076,798**

Methodology:

- CACI, which covers 84% 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 2012 to a one year bond that matures in January 2013).

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