

Press Release

February, 2009

For Immediate Release in United Kingdom only

CHOICE OF SAVINGS ACCOUNT IS COSTING BRITISH FAMILIES MILLIONS

THE NATION'S SAVING, SPENDING, INVESTMENT AND BORROWING HABITS REVEALED

New figures from HiSAVE – the online savings brand from ICICI Bank – reveal that Britons plan to borrow more than they save and invest this month – and the majority of those that are saving money have little idea if they are getting a good rate (53%) or whether their hard earned money is in the right place.

At a time when the economic crunch and interest rate cuts have triggered widespread concern over the financial health and economic confidence of consumers, the HiSAVE team commissioned nationwide research to give a rounded picture on the current state of family finances. The HiSAVE research asked more than 2,100 adults how much money they planned to spend, save, invest and then to borrow for the month of February. The findings are some of the first up-to-date figures to shed light on true disposable income levels across the UK; how families allocate their income and balance pressures to spend, save, invest and borrow.

Key national findings

Disposable income for the month

- **True disposable income breakdown established:** Monthly income in the UK after the mortgage and essential bills have been paid left the average Briton with £545.20 disposable income for the month. On average 45% of this would be spent on living and socialising, 42% would be saved and 13% would be invested. Whilst disposable income levels varied across the UK, the proportionate break-down of this between spending, saving and long term investing (including pension payments) remained surprisingly consistent (see table 1 in notes to editors).
- **Short term security over long term risk:** In most instances, people are planning to put more money away this month than they intend to spend (54%

compared to 45%). When it comes to building up a rainy day fund, though, Britons are far more likely to opt for the relative security of short term savings over long term investment – savings accounting for 76% of all funds to be put away for a rainy day this month.

- **Region wide savings take-up:** With widespread job cuts spanning most UK sectors, the public have clearly recognised the importance of saving money – and across all regions at least 40% of consumer monthly disposable income is being put into savings accounts.
- **In the dark on savings rates.** A major concern from the HiSAVE research, however, was evidence that those saving money this month could be getting poor value for their savings. When savers were asked what interest rate they were getting for their savings, 53% said they had no idea and of those that did know, one in two (48%) said they were getting an interest rate of 2% or less, whilst a staggering 17% acknowledged they were earning 0.1%! In addition, a large number of people were sticking with high street deposit accounts, rather than hunting round for the better deals available from direct savings brands (those operating via the telephone or Internet).
- **Heavy reliance on top-up borrowing:** Set against analysing how people planned to allocate their income between spending, saving and investing, the HiSAVE research also asked the public how much money they planned to borrow this month (borrowing here clearly defined as money spent/owed on credit cards, personal loans or a bank overdraft – **not** mortgage payments). The findings revealed that, on average, Britons planned to borrow £357 - or the equivalent of 65% of their total disposable income this month. From this additional data, the picture emerged of a nation keeping savings and debt quite separate, borrowing quite confidently yet putting up with poor rates for the money they planned to save. (See tables 2-4 in notes to editors for more data on debt levels)

Demographic analysis

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- **A gender wealth divide gets wider:** The HiSAVE research revealed that men enjoyed a much bigger monthly disposable income (£644 compared to £427) and they were able to put almost twice as much money a month into a savings account than women (£294 compared to £155). As a result, the average level of planned borrowing for women accounted for a much higher proportion of their disposable income – £385 or 90% (compared to £328 or 51% for men).
 - **Regional analysis - sinking in the south:** For many years it has been assumed that London and the affluent South East enjoy far greater affluence than people elsewhere. The new HiSAVE data dashes this assumption. Higher living costs mean that people in the South have the smallest monthly disposable income, and whilst people in all regions manage to save proportionately the same amount for a rainy day, it is people in the South and London that rely on heavy borrowing to maintain their aspired lifestyles. The HiSAVE data suggests that families in Scotland are those enjoying the most rounded financial health at the moment. They save the most proportionately and have, by some way, the lightest reliance on consumer credit (see table 5 in notes to editors).
 - **Age group analysis - crisis hits for mid lifers:** People aged between 35 and 44 - probably those with young families, big mortgages and for some school fees – are those struggling the most. Each month they spend less than age groups either side of them, they can allocate less than 10% of their income into family investments and they are the group closest to matching their disposable income with borrowing pound-for-pound (they will borrow the equivalent of 88% of their monthly income this month). The over 55s also have high exposure to debt but they are also the generation saving the most – 47% of their monthly resources. A likely boom in savings also seems to be occurring with the very youngest age group. 18-24 year olds are the group traditionally associated with having a very relaxed attitude to debt, although the new HiSAVE data suggests saving is now much more prevalent with this age group, with

39% of total monthly disposable income now going into a regular savings account.

Deepak S.Varghese, Head of Retail Banking and HiSAVE at ICICI Bank UK Plc commented: *"Millions of Britons are coping with the economic uncertainty by adopting parallel strategies to saving and spending. Many are keeping their spending and short term debts in a separate pot to their rainy day fund and, as Britain continues its move further into recession, it is likely that more people will want to build up an emergency savings fund to protect their homes and family during uncertain times."*

Whilst encouraged by the news that millions of people plan to save regularly, we are alarmed that so many people fail to shop around for a better rate to ensure their hard earned money really works hard for them when saved. The good news is that despite the recent base rate cuts, HiSAVE is one of a number of savings brands bucking the high street trend by maintaining good rates in a low interest environment."

"Now more than ever it is very important to get a good rate of return on your savings. People can take advantage of our HiSAVE accounts which are aimed at giving UK savers simple savings accounts that offer consistently high returns. Being FSA regulated and FSCS protected, we strive to offer safe and secure savings accounts. We offer people across the UK a better way to save."

For more information or to arrange interviews, contact:

Guy Bellamy / Lindsay Wienand / Rosie Dodd at FD Consumer Dynamics:

Tel: 020 7269 7177 / 7265 / 7112

Email: HiSavePress@fd.com

Notes to editors

1. *The HiSAVE research was conducted by YouGov at the end of January 2009 among a weighted, GB representative sample of 2,160 adults. The research on disposable income asked the sample about intentions for the month ahead (February).*
2. *Photography and further HiSAVE product information is available on request*
3. *This is the first of a series of research reports to be published by the UK HiSAVE team this month. To be added to the priority email list for forthcoming releases, email your contact details to: HiSavePress@fd.com*
4. *About HiSAVE and ICICI Bank UK Plc (website www.icicibank.co.uk):*

HiSAVE is ICICI Bank UK Plc's range of high interest online savings accounts.

Over

125,000 UK savers trust HiSAVE to look after their hard-earned savings. The HiSAVE savings range consists of:

- *The HiSAVE Savings Account: an easy access savings account with one consistently high interest rate for everyone plus a unique guarantee that the AER will beat the Base Rate by at least 0.30% until at least December 2011. The minimum balance is just £1 and there are no penalties or notice periods for withdrawals. The current interest rate is 2.95% AER.*
- *The HiSAVE Fixed Rate Account: a range of fixed rate savings accounts that enable customers to avoid interest rate fluctuations by saving a lump sum for a fixed term (of either 6, 12, 24 or 36 months) in return for a fixed interest rate (the current interest rates are 3.25%AER, 3.90%AER, 3.25%AER and 3.25% AER respectively). The minimum balance is just £1000.*

ICICI Bank UK Plc is a UK bank offering retail, corporate and investment banking services in the UK and Europe. It is:

- *Authorised and regulated by the Financial Services Authority*
- *A member of the UK Financial Services Compensation Scheme.*
- *A subscriber to the Banking Code – a voluntary code that sets the standards for good banking practice*
and:
- *Has been operating in the UK since 2003 and for the financial year ending 31 March 2008 we had assets in excess of \$8.8 billion and made a gross profit of \$56.7 million.*
- *Has a strong capital adequacy ratio: 18.41% (as at 30 September 2008). A bank's capital adequacy ratio is a measure of a bank's capital relative to its risk. Banks have specific capital adequacy requirements to ensure they can absorb a reasonable amount of loss and are complying with their statutory capital requirements. The UK government has recently recapitalised a number of UK banks to help get their capital adequacy ratio up to a more healthy ratio – around 12%. ICICI Bank UK Plc's capital adequacy is considerably higher than this 12% benchmark.*
- *Has a credit rating of Baa2 from Moody's whose last review (October 2008) stated ICICI Bank UK Plc has "... no high risk sub-prime securities and enjoys robust asset quality and liquidity."*
- *Is part of a global banking group that looks after 25 million customers worldwide.*

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Additional tables

Table 1: Breakdown of February disposable income into spending, saving and investing by region.

	Lond on	So uth	Midla nds (inc. Wales)	No rth	Scotla nd
Monthly disposable income	£661	£451	£475	£572	£530
Amount (and %) to be spent	£315 (48%)	£210 (47%)	£230 (48%)	£233 (41%)	£235 (44%)
Amount (and %) to be saved	£274 (41%)	£187 (41%)	£197 (41%)	£249 (44%)	£236 (45%)
Amount (and %) to be invested	£72 (11%)	£54 (12%)	£48 (11%)	£90 (15%)	£59 (11%)

Table 2: Planned monthly borrowing for February by region: Predicted sums and data as relative percentage of monthly disposable income

	Lond on	So uth	Midla nds (inc. Wales)	No rth	Scotla nd
Monthly disposable income	£661	£451	£475	£572	£530
Amount to be borrowed	£382	£570	£242	£308	£235
This as a % of disposable income	58%	126%	51%	54%	44%

Table 3: Planned monthly borrowing for February by age group: Predicted sums and data as relative percentage of monthly disposable income

	18-24	25-34	35-44	45-54	55+
Monthly disposable income	£43 3	£57 3	£52 9	£66 5	£51 5
Amount to be borrowed	£19 9	£29 4	£46 3	£34 1	£40 6
This as a % of disposable income	46%	51%	88%	51%	79%

Table 4: Planned monthly borrowing for February by gender and age group: Predicted sums and data as relative percentage of monthly disposable income

	UK average	Men	Women
Monthly disposable income	£54 5	£64 4	£427
Amount to be borrowed	£35 7	£32 8	£384
This as a % of disposable income	65%	51%	90%

Table 5: Balance between saving, spending and investing – and additional borrowing across the regions (column percentages indicate proportionate breakdown on monthly disposable income)

	London	South	Midlands (in c. W al es)	No rth	Scotla nd
Monthly disposable income	£6 61	£4 51	£4 75	£5 72	£530
Amount of this to be spent	31 5 (4 8 %))	21 0 (4 7 %))	23 0 (4 8 %))	23 3 (41 %))	235 (44%)
Amount to be saved	27 4 (4 1 %))	18 7 (4 1 %))	23 3 (4 1 %))	24 9 (44 %))	236 (45%)
Amount to be invested	72 (1 1 %))	54 (1 2 %))	48 (1 1 %))	90 (15 %))	59 (11%)
Additional amount to be borrowed	£3 82	£5 70	£2 42	£3 08	£235

56% of Britons are still visiting the high street to manage their savings despite the fact direct online brands offer consistently high rates in the best buy tables and what's more, a third of Britons (33%) keep their life savings in a basic current account according to new research from HiSAVE, the online savings brand from ICICI Bank.

The research revealed one in six Britons (17%) are aware that they are earning 0% interest on their main savings account and 53% don't even know what rate they get for their main financial savings account.

At a time when the Bank of England base rate has fallen yet again, the findings have shown that not only the savers is the dark on where to put their money, they are also openly leaving their life savings to make zero income.

- **Rock bottom rates**

Of those who said they knew the rate they were getting in their savings account, one in six -17%, confessed it was at 0.1% and one in two (48%) are getting an interest rate of 2% or less.

- **Where are people actually keeping their savings?**

People said they were actually keeping their savings in the following places:

<i>Bank current account/ deposit account</i>	<i>33%</i>
<i>An instant access savings account with my local high street</i>	<i>23%</i>
<i>A standard instant access internet/savings account</i>	<i>15%</i>
<i>A fixed term bond</i>	<i>5%</i>
<i>In premium bonds</i>	<i>4%</i>
<i>In a safe at home</i>	<i>2%</i>
<i>Other</i>	<i>18%</i>

- **Age Differences: Those in the know**

It is the older generation, 55 years and older, who are most likely to know the rate they get for their money – 56% compared to 46% of those aged 45-54. Those aged 18-24 are the most guilty of storing their finances in a current account – unlikely to be making any money – 41% compared to 27% of those over 55.

The HiSAVE team commissioned nationwide research to find out where Britons currently have most of their savings and what rate they are actually getting for their money. This is part of a wider piece of research which looks into the saving, spending, investment and borrowing habits of the population to give a rounded picture on the current state of family finances.

Deepak S.Varghese, Head of Retail Banking and HiSAVE at ICICI Bank UK Plc commented:

“It is good to see that so many Britons seem to have money aside for a rainy day and certainly in this current climate, we should all have something to fall back on during financial uncertainties.

However, it is of some concern to see that many are not keeping their savings in a place where they can make their money go further, but are instead putting their money into low interest accounts. Despite the recent base rate cuts, HiSAVE 2 year fixed rate account continues to pay 4.10% AER.

People can easily take advantage of our HiSAVE fixed rate accounts, operated on the same efficient technology platform which serves 25 million customers worldwide, giving UK savers simple savings accounts that offer consistently high returns. Being FSA regulated and FSCS protected, we continue to offer safety and security.”

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