

19 July 2010

**NS&I 2009-10 ANNUAL RESULTS (FOR YEAR ENDING 31 MARCH 2010)
AND Q1 2010-11 RESULTS**

NS&I (National Savings and Investments), the government-backed savings and investments provider, today announced its annual results for the year to 31 March 2010 and for the first quarter of 2010-11.

Highlights: 2009-10 annual results

- Delivered £1.6 billion of Net Financing – successfully meeting NS&I's Net Financing target of £0 with a range of +/- £2 billion either side of this.
- £9.6 billion of sales via nsandi.com, post and NS&I's call centres – 65% of all sales by value.
- NS&I delivered £1.4 billion of savings to the taxpayer – using the Value Indicator measure to calculate how much more cost-effective it is to raise funds via NS&I than via government gilts. NS&I's efficiency ratio – a measure of the cost of administering money invested with NS&I – was 18.5 basis points, an extremely strong performance.
- NS&I continue to focus on balancing the interests of its savers – offering them a fair rate; taxpayers – with NS&I's remit to raise cost-effective finance for government; and supporting stability in the wider financial services market by acting transparently.

Highlights: Q1 2010-11 results

- 2010-11 Net Financing target is again to maintain broadly existing levels of stock (£0 +/- £2 billion either side of this).
- Net Financing of £2.4 billion in Q1. High sales volumes show NS&I was at risk of exceeding the top end of its Net Financing target range for 2010-11. So NS&I has taken the difficult decision to withdraw from sale its Savings Certificates (both Fixed Interest Savings Certificates and Index-linked Savings Certificates, also known as Inflation-Beating Savings), and to reduce the interest rates paid on its Direct Saver and Income Bonds by 0.25% with immediate effect from today.

Jane Platt, Chief Executive, NS&I, said: “NS&I is extremely mindful of its responsibilities given its unique place at the heart of the UK savings sector. We continue to follow a policy of acting transparently and balancing the interests of our savers, the taxpayer and the stability of the wider financial services market.

“I’m particularly pleased that while doing this, in 2009-10, we successfully met our government financing objective – called our Net Financing target – which is set for us each year by HM Treasury. Last year we agreed to broadly balance the funds coming into NS&I with the funds leaving us – in other words our Net Financing target was zero with a range of £2.0 billion either side of this. We achieved this target delivery with a positive Net Financing contribution of £1.6 billion. We also maintained our very strong efficiency measure of 18.5 basis points and delivered £1.4 billion of debt interest savings to the taxpayer.

“In the first quarter of 2010-11, we’ve seen significant amounts of money invested into some of our products and so we’ve taken the difficult decision to withdraw Savings Certificates from sale and reduce the interest rates paid on our Direct Saver and Income Bonds. This is designed to ensure that we do not exceed the upper end of our Net Financing target for 2010-11. The interest rates on both Direct Saver and Income Bonds remain well above base rate.”

2009-10 annual results:

| Year | Gross inflows | C&AIP* | Gross outflows | Net Financing | Total stock | Value Add (VA) / Value Indicator (VI) |
|----------------|----------------------|-------------------|-----------------------|----------------------|--------------------|--|
| 2009-10 | 18.1 | 1.9 | 18.4 | 1.6 | 98.8 | 1.4 (VI) |
| 2008-09 | 26.0 | 2.6 | 16.1 | 12.5 | 97.2 | 0.2 (VA to end of Q3 when the VA target was suspended) |
| 2007-08 | 15.5 | 3.3 | 13.0 | 5.9 | 84.8 | 0.4 (VA) |
| 2006-07 | 14.2 | 2.9 | 11.5 | 5.6 | 78.9 | 0.3 (VA) |
| 2005-06 | 12.0 | 2.5 | 9.6 | 4.9 | 73.4 | 0.3 (VA) |
| 2004-05 | 11.1 | 2.4 | 11.5 | 2.0 | 68.5 | 0.3 (VA) |

Q1 2010-11 results:

| Quarter | Gross inflows | C&AIP* | Gross outflows | Net Financing | Total stock | Value Indicator |
|------------|---------------|--------|----------------|---------------|-------------|-----------------|
| Q1 2010-11 | 5.4 | 0.8 | 3.8 | 2.4 | 101.2 | 0.3 (VI) |
| Q1 2009-10 | 3.2 | 0.4 | 4.6 | -1.0 | 96.2 | 0.4 (VI) |

All figures are in £ billion (rounded to one decimal place). Q1 2010-11 figures are unaudited and subject to change due to late transaction processing (evidence of identity), cancellation and any accounting adjustments. *Capitalised and accrued interest and prizes earned.

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Notes to Editors

1. NS&I's Annual Report and Accounts 2009-10 is available on www.nsandi.com.
2. NS&I's Annual Report and Accounts 2009-10 were presented to the House of Commons on 15 July 2010, pursuant to section 7 of the Government Resources and Accounts Act 2000.
3. The 2009-10 performance-related pay entitlements of NS&I's Executive board members were approved on 19 July 2010 – after the 2009-10 Annual Report had been authorised and printed. Details of these awards are available on nsandi.com. Full year (2009-10) expenses details for NS&I's board are also available on nsandi.com.
4. NS&I was formed in 1861 as the Post Office Savings Bank, and is now a government department and an Executive Agency of the Chancellor of the Exchequer. All NS&I products offer 100% capital security, because NS&I is backed by HM Treasury.
5. Glossary:
Net Financing – the measure of the net change of NS&I funds, meaning total inflows from deposits, retention of maturing monies and capitalised and accrued interest, less the total outflows from withdrawals and interest or Premium Bond prize draw payments. A positive Net Financing figure represents a positive contribution to government financing.
6. For further information, or to request an interview, please contact the NS&I media team.

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