

NS&I 2008-09 QUARTER 3 FINANCIAL REPORT

Below are NS&I's latest quarterly figures for the third quarter of the financial year 2008/09.

Highlights:

- At the time of the Pre-Budget report, NS&I revised its Net Financing forecast for 2008/09 from £4 billion to £11 billion as a consequence of the unsolicited additional inflows (i.e. sales) following the turbulence in the financial markets.
- NS&I has now also reviewed its Value Add forecast to reflect the low level of the Bank of England Base Rate. During this period NS&I has followed a pricing strategy designed to balance the interests of its savers, the taxpayer and the stability of the financial services market.
- In this environment NS&I continues to offer fair rates to savers, deliver Net Financing to government, protect the brand and long-term value added, while maintaining an appropriate competitive position.
- NS&I has been working to a five year strategy which was to deliver £13bn of Net Financing and £1.6bn of Value Add in the 5 years to end March 2012 whilst modernising simplifying and diversifying the business. Recent market conditions have meant that these metrics are no longer appropriate and are being reviewed. NS&I remains committed to giving positive Value Add over the longer term.
- Gross inflows (unaudited) for the quarter were just over £9.55 billion, bringing the three-quarter-year total to £19.22 billion.
- Net financing (NS&I's contribution to government funding) for the quarter was £6.00 billion, bringing the three-quarter-year total to £10.12 billion.
- Value Add (cost savings to the UK taxpayer) for the quarter was a negative £0.02 billion. This brings the year-to-date Value Add total to a positive £0.16 billion.

Quarterly figures

Qtr/year	Gross inflows	C&AIP*	Gross outflows	Net financing**	Total stock	Value Add
Q3 2008/09	9.55	0.61	4.16	6.00	94.89	-0.02
Q2 2008/09	5.67	0.79	3.46	3.00	88.89	0.09
Q1 2008/09	3.99	0.96	3.84	1.11	85.89	0.09
2007/08	15.54	3.33	12.99	5.88	84.78	0.38
2006/07	14.17	2.88	11.50	5.55	78.90	0.31

All figures are in £ billion (rounded up to the nearest whole number), 2008/09 Q3 figures only 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

** Net financing is NS&I's contribution to government funding

NS&I reports quarterly on gross outflows, Net Financing and total stock. Each quarter, NS&I issue these unaudited figures and publishes its annual report and audited accounts each financial year.

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Notes to editors

1. NS&I's performance is measured by Value Add. The government raises money in two main ways: through the sale of gilts and Treasury bills and through NS&I. Value Add is an assessment of how cost-effective NS&I is at raising finance for the government and the difference between the cost of running NS&I and the cost of raising finance through the sale of gilts and Treasury bills. The Value Add figure is important because it represents cost savings to the UK taxpayer.

2. NS&I's performance is also measured by Net Financing, which is the balance of sales, repayments and interest costs and is the amount of money it gives to the government to help it manage the national debt once interest, Premium Bonds prizes, matured investments and other repayments are made to customers.

3. NS&I is one of the UK's largest savings and investments providers, with 27 million customers, offering retail savings and investments that are 100% secure, backed by HM Treasury. Its total balance of funds represents 12.7% of the national debt (as at November 2008) and 8.11% of the savings market (as at November 2008). NS&I does not have a specific limit set on its Net Financing or market share but aims to maintain a relatively stable level of market share.

4. NS&I was formed in 1861 and is a government department and an executive agency of the Chancellor of the Exchequer, reporting to Ian Pearson MP, Economic Secretary to the Treasury.

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