

PRESS NOTICE

ALLOCATION OF SUPPLEMENTARY GILT ISSUANCE AND GILT AUCTIONS: JULY-SEPTEMBER 2006

Supplementary gilt issuance

Supplementary gilt issuance of £2.5 billion (cash) is being allocated to the committed programme of gilt sales in the second quarter of 2006-07 as follows:

- £1.25 billion to long conventional gilt sales; and
- £1.25 billion to index-linked gilt sales.

An additional index-linked gilt auction is scheduled for 19 September 2006.

The committed programme of long conventional gilt sales now totals £20.75 billion and that of index-linked gilts is £17.25 billion. Committed gilt sales now total £58.0 billion, with £5.0 billion still to be allocated (£2.5 billion in each of Q3 and Q4).

Commenting on this decision, Robert Stheeman, Chief Executive of the DMO said,

“The main objective of the supplementary issuance programme is to enable us to respond to changing market conditions and patterns of demand for gilts. Despite the rise in bond yields since our remit was set by HM Treasury, the underlying shape of both the nominal and real curves, as well as market intelligence received from the GEMMs and other stakeholders suggest continued demand for long-dated gilts. On the basis of breakeven inflation rates the relative value of issuing conventional and index-linked gilts is also little changed since March. As our issuance preferences essentially remain as set out in the remit, we have decided to direct the second

instalment of supplementary issuance to long conventional and index-linked gilts. However, we acknowledge the recent increase in market volatility and took this into account in the choice of individual gilts to be issued, particularly their maturities, with a view to mitigating execution risk in the quarter ahead”.

Outright gilt auction calendar July-September

In the second quarter of the 2006-07 financial year, the UK Debt Management Office (“DMO”) plans to hold nine outright auctions of gilts, as set out below.

- Tuesday 4 July 2006: 4¼% Treasury Gilt 2046.
- Tuesday 11 July 2006: 1¼% Index-linked Treasury Gilt 2017.
- Tuesday 25 July 2006: 2½% Index-linked Treasury Stock 2024.
- Tuesday 1 August 2006: 4% Treasury Gilt 2016.
- Wednesday 23 August 2006: 1¼% Index-linked Treasury Gilt 2027.
- Tuesday 5 September 2006: a new current coupon conventional gilt maturing on 7 December 2027
- Tuesday 19 September 2006: 1¼% Index-linked Treasury Gilt 2017.
- Thursday 21 September 2006: 4¼% Treasury Gilt 2011.
- Wednesday 27 September 2006: 2% Index-linked Treasury Stock 2035.

Auction pre-announcements

The nominal amounts to be auctioned outright and the other terms of each auction will be announced at 3.30pm on the following dates:

- Tuesday 27 June 2006 for the auction on 4 July.
- Tuesday 4 July 2006 for the auction on 11 July.
- Tuesday 18 July 2006 for the auction on 25 July.
- Tuesday 25 July 2006 for the auction on 1 August.
- Tuesday 15 August 2006 for the auction on 23 August.
- Tuesday 29 August 2006 for the auction on 5 September. The coupon on the new gilt will also be announced on this date.
- Tuesday 12 September 2006 for the auctions on 19 and 21 September.
- Tuesday 19 September 2006 for the auction on 27 September.

First dividend period

The new conventional gilt maturing on 7 December 2027 will pay a short first dividend on 7 December 2006.

NOTES TO EDITORS

Total gilt sales of £63.0 billion (cash) are planned in 2006-07. Sales in the financial year to date are £10.0bn – with the splits relative to the new allocated targets shown in the table below.

Gilt sales v remit at 31 May 2006 (£ millions).					
	Conventional Gilts			Index-linked gilts	Total
	Shorts (1-7 yrs)	Mediums (7-15yrs)	Longs (15 yrs+)		
Gilt sales to date	0	2,651	4,377	3,002	10,031
Core gilt programme	10,000	10,000	17,000	16,000	53,000
Programme to be allocated in-year					
Allocated in-year to date	0	0	3,750	1,250	5,000
Currently allocated programme	10,000	10,000	20,750	17,250	58,000
Remaining to be allocated					5,000
Total planned sales					63,000
Remaining to meet allocated programme	10,000	7,349	16,373	14,248	47,969
Auctions remaining in current programme	4	3	7	14	28