



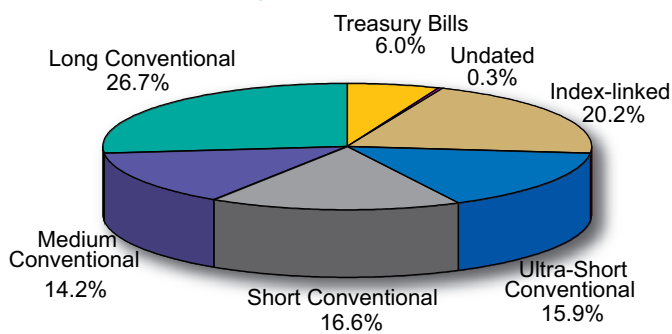
Quarterly REVIEW

Details of the gilt and Treasury bill portfolio at 30 September 2009

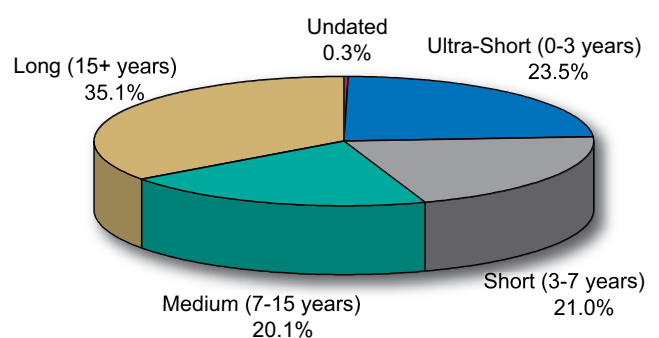
Portfolio summary statistics	30 June 2009	30 September 2009
Nominal value of the gilt and Treasury bill portfolio (including inflation uplift)	£814.89bn (£685.32bn)	£874.30bn (£745.05bn)
Nominal value of the gilt portfolio (including inflation uplift)	£760.94bn (£631.37bn)	£822.01bn (£692.76bn)
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	£593.50bn (£476.55bn) £167.44bn (£154.82bn)	£645.07bn (£528.06bn) £176.94bn (£164.70bn)
Market value of the gilt portfolio	£830.36bn (£687.19bn)	£913.17bn (£767.25bn)
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	£643.81bn (£514.77bn) £186.55bn (£172.41bn)	£708.97bn (£577.44bn) £204.20bn (£189.81bn)
Market value weighted average portfolio yield:		
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	3.27% 0.94%	3.02% 0.67%
Market value weighted average portfolio maturity:		
<ul style="list-style-type: none"> Conventional gilts (exc. undated gilts) Index-linked gilts 	14.15 years 13.62 years 15.97 years	14.23 years 13.42 years 17.04 years
Market value weighted average portfolio modified duration:		
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	8.53 years 13.51 years	8.55 years 14.60 years

In the above, figures in brackets are net of government holdings.

Composition of gilt and Treasury bill portfolio



Gilt and Treasury bill portfolio maturity split*

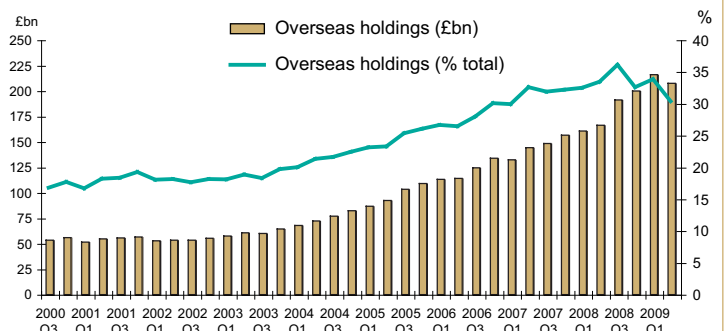


Distribution of gilt holdings at 30 June 2009 (based on market values)

(£millions)	at end	Q1 2009	Q2 2009
Insurance companies and pension funds		229,279	230,812
Overseas		215,905	207,535
Other financial institutions and Other		128,222	104,881
Households		10,336	9,550
Building societies		8,597	10,011
Local authorities and public corporations		1,482	1,465
Banks		47,975	122,932
TOTAL		641,796	687,186

Source: ONS. These figures can be revised retrospectively.

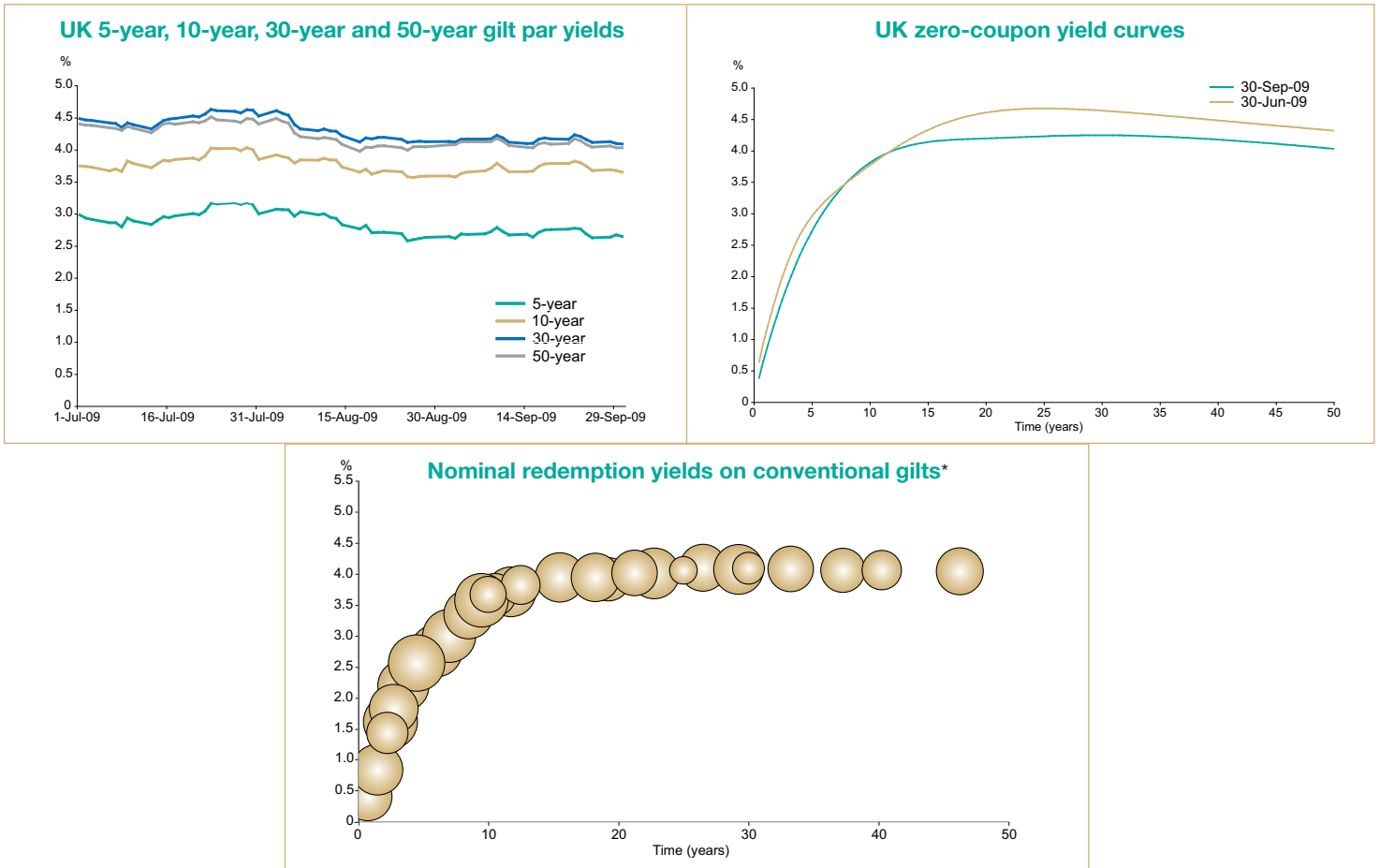
Overseas holdings of gilts



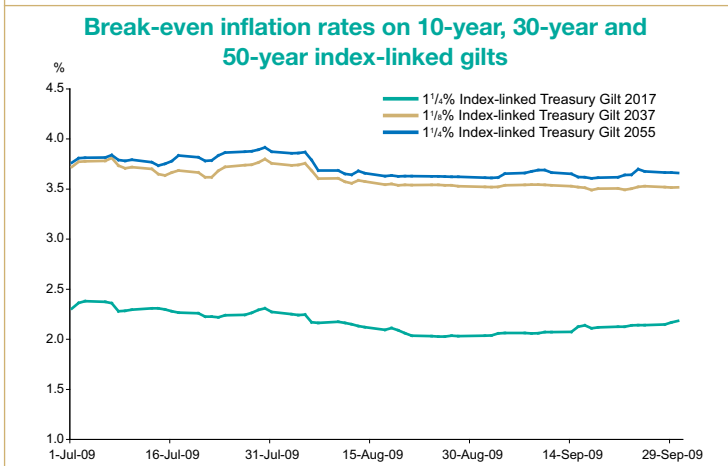
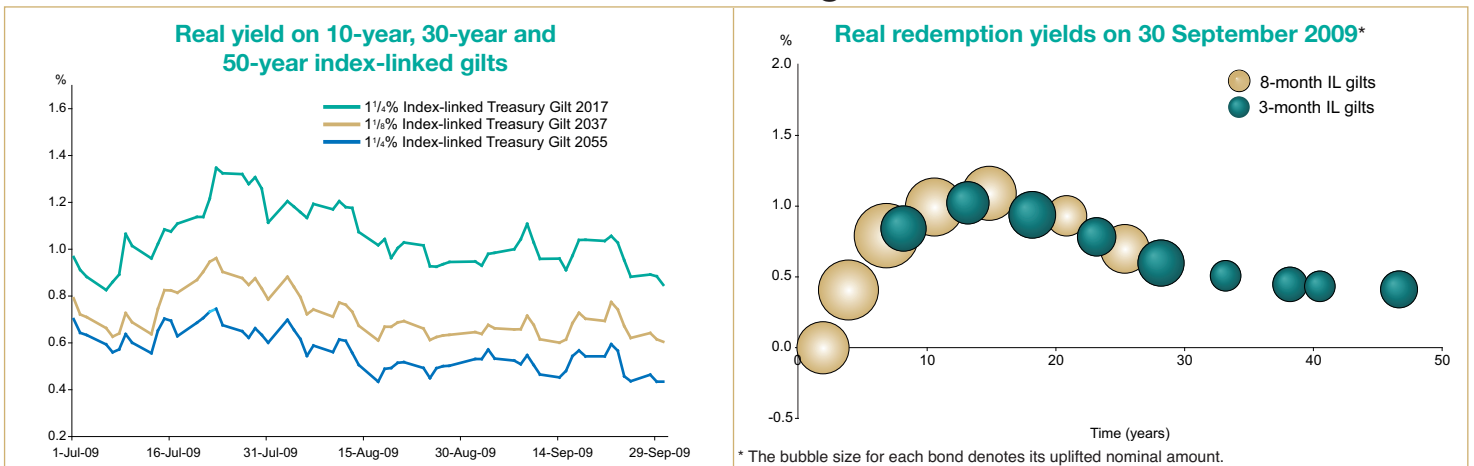
Source: ONS

* These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts



Index-linked gilts



Projected redemption values of index-linked gilts based on average inflation of 2½% and 3% per annum.

Gilt Name	Inflation Assumptions	
	2.50%	3.00%
2½% Index-linked Treasury Stock 2011	297.22	299.15
2½% Index-linked Treasury Stock 2013	260.97	265.24
2½% Index-linked Treasury Stock 2016	306.51	315.97
1¼% Index-linked Treasury Gilt 2017	135.05	140.46
2½% Index-linked Treasury Stock 2020	330.80	347.29
1⅞% Index-linked Treasury Gilt 2022	143.94	153.39
2½% Index-linked Treasury Stock 2024	312.10	334.51
1¼% Index-linked Treasury Gilt 2027	172.60	188.46
4⅞% Index-linked Treasury Stock 2030	261.65	288.75
1¼% Index-linked Treasury Gilt 2032	174.56	195.30
2% Index-linked Treasury Stock 2035	227.56	256.68
1⅞% Index-linked Treasury Gilt 2037	212.05	243.10
0⅝% Index-linked Treasury Gilt 2042	228.39	268.28
0¾% Index-linked Treasury Gilt 2047	264.26	318.07
0½% Index-linked Treasury Gilt 2050	272.54	331.77
1¼% Index-linked Treasury Gilt 2055	348.10	435.62

Data extracted from www.dmo.gov.uk report D9C on: 01/10/09

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jul-08	10,596	0	-1,007	9,589
Aug-08	3,371	0	-780	2,591
Sep-08	8,797	-692	-3,930	4,175
Oct-08	20,985	-379	-234	20,332
Nov-08	19,165	0	-584	18,581
Dec-08	11,093	0	-4,841	6,252
Jan-09	16,879	0	-1,060	15,819
Feb-09	18,686	0	-839	17,847
Mar-09	17,784	17,229	-5,216	-4,661
Apr-09	19,375	0	-223	19,152
May-09	14,249	-3,755	-681	9,813
Jun-09	24,270	0	-6,763	17,507
Jul-09	28,179	0	1,902	26,277
Aug-09	8,119	0	879	7,240
Sep-09	27,945	-208	-6,750	20,987
Oct-09	26,035	0	-217	25,818
Nov-09	-	0	-634	-
Dec-09	-	-12,585	-7,163	-

Figures may not sum due to rounding

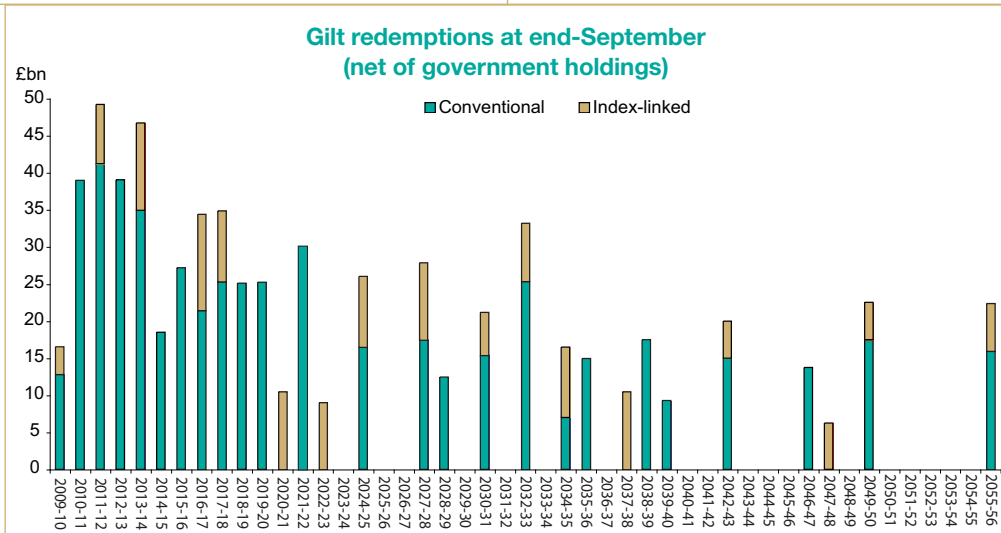
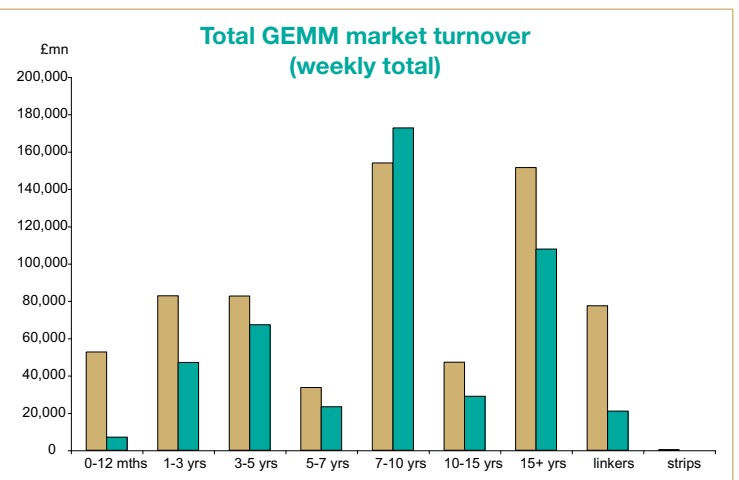
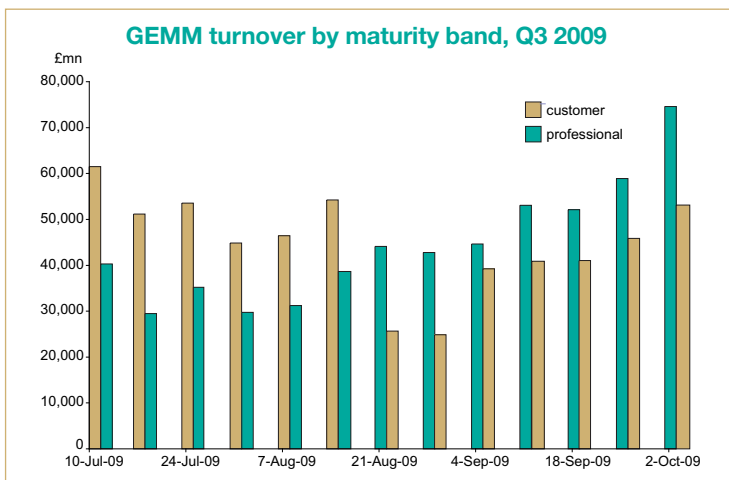
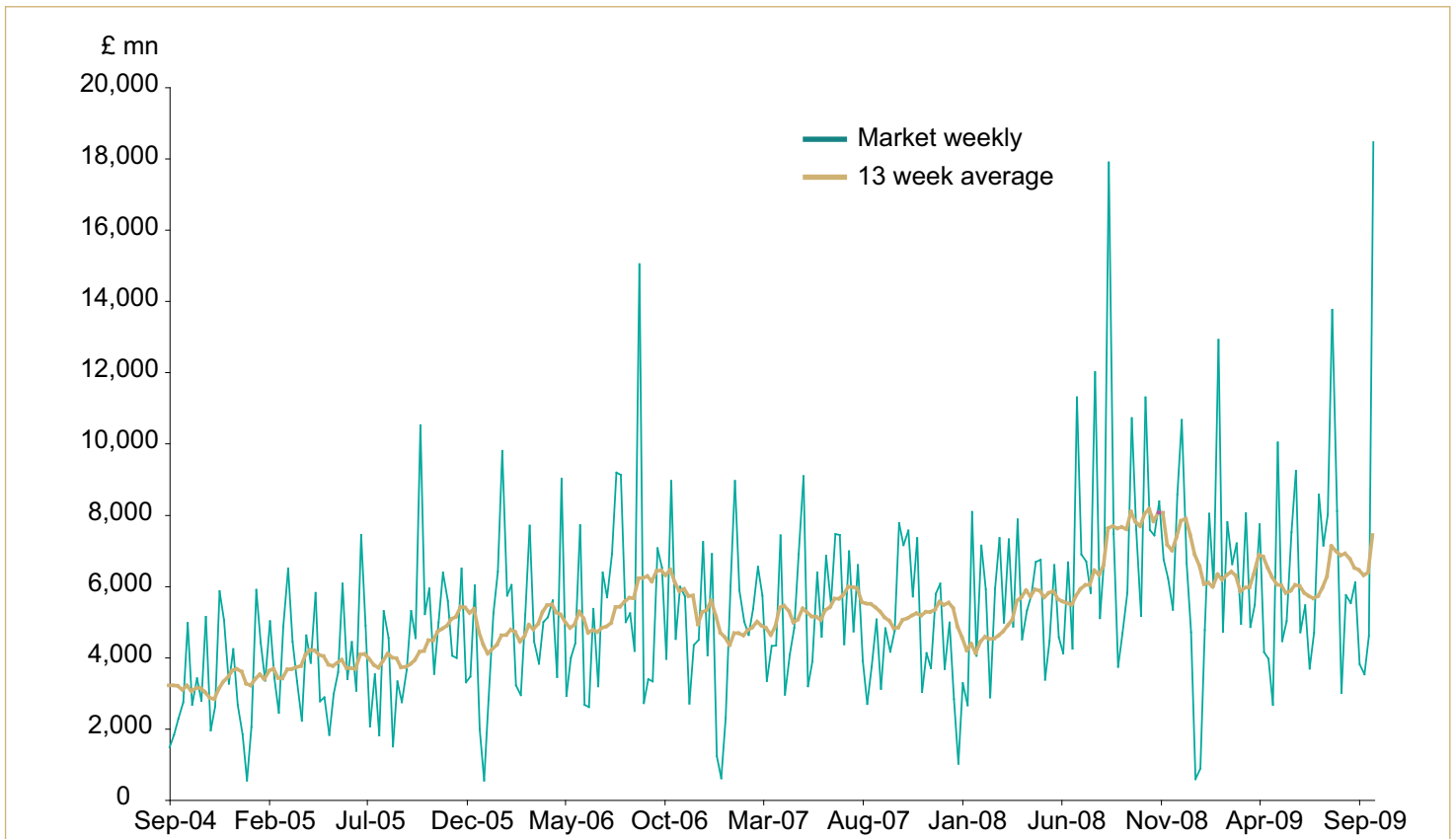
*Coupon flow numbers are for the stock of debt outstanding at end-quarter

2008-09 and 2009-10 financing requirements

(£ bn)	2008-09 (Budget 08)	2008-09 (Outturn)	2009-10 (Budget 09)
CGNCR forecast	59.3	162.4	220.8
Redemptions	17.3	18.3	16.6
Financing for the Bank's Asset Purchase Facility		1.0	-1.0
Financing for the Official Reserves	2.0	0.0	2.0
Debt buy-backs	0.0	2.4	0.0
Planned short-term financing adjustment	4.2	-2.5	-0.6
Gross financing requirement	82.8	181.6	237.8
Less			
National Savings & Investments' contribution	4.0	12.5	0.0
Net financing requirement	78.8	169.1	237.8
Gilt sales planned during the year	80.0	146.5	220.0
Change in planned Treasury bill stock	5.8	26.4	21.6
Change in Ways and Means	-7.0	-3.2	-3.8
DMO net cash position at end of financial year	0.5	1.1	0.5

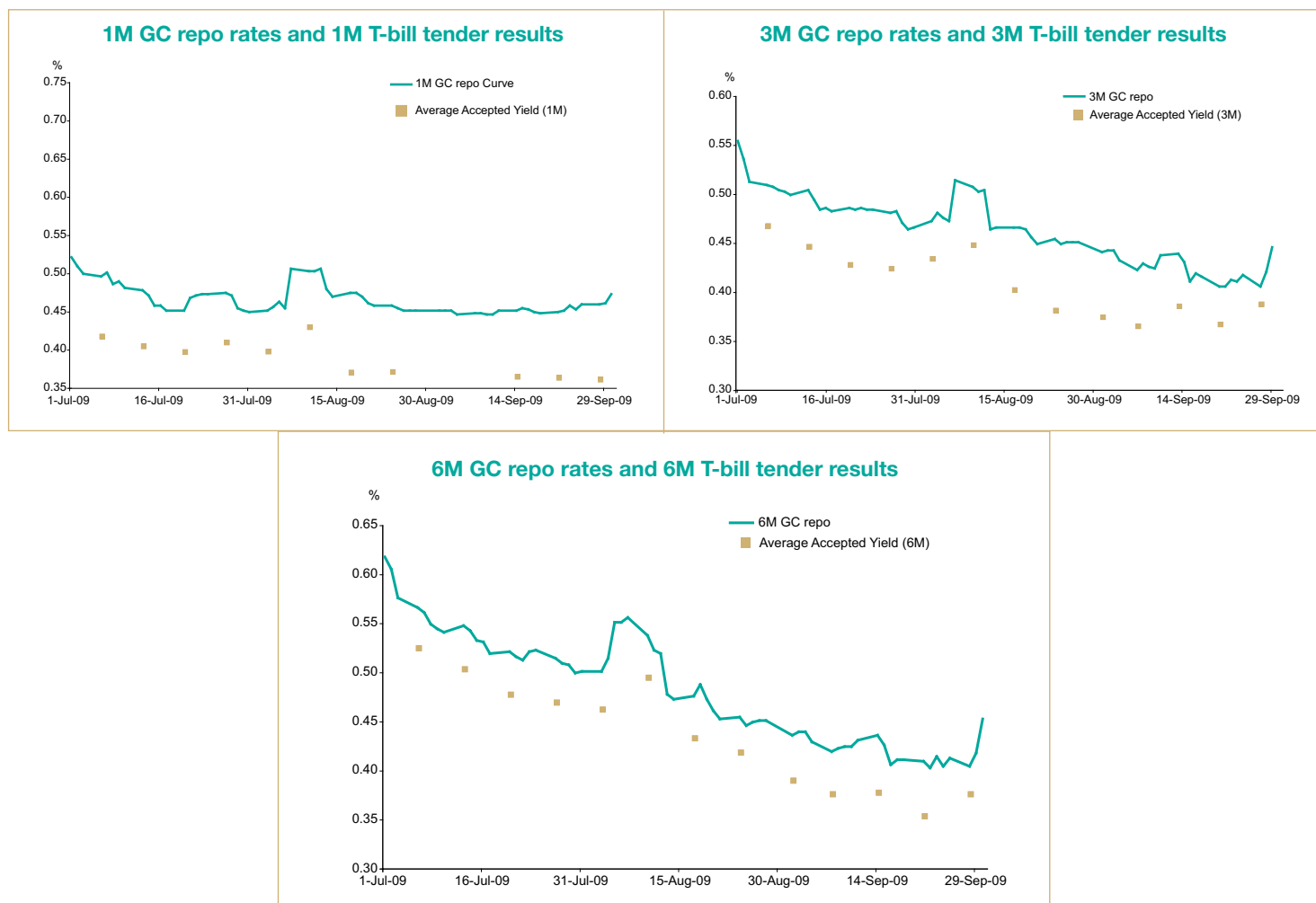
Figures may not sum due to rounding

Index-linked gilt market turnover 2004-2009



*Professional Turnover is defined as turnover with counterparties who are Broker Dealers (BDLs), other Gilt-edged Market Makers (GEMMs), DMO or Bank of England. Customers are all others (including businesses with related entities).

Money market operations



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DMO Website: Useful Website Links

What's New

http://www.dmo.gov.uk/ceLogon.aspx?page=Press_New&rptcode=D8D

Events calendar

http://www.dmo.gov.uk/ceLogon.aspx?page=Events_Calendar&rptCode=D5J

Gilt market

Gilt prices page

www.dmo.gov.uk/index.aspx?page=Gilts/Daily_Prices

Gilts in issue

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Summary of results from all DMO gilt operations

http://www.dmo.gov.uk/ceLogon.aspx?page=Summary_of_results&rptCode=D2.1prof7

Cash sales versus the remit (updated after each operation)

http://www.dmo.gov.uk/ceLogon.aspx?page=Current_Remmit&rptCode=D4E

Gilt issuance history

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Overseas holdings data

http://www.dmo.gov.uk/ceLogon.aspx?page=Gilts/Overseas_Holdings&rptCode=D5N

Index-linked gilts

Published cash flows

http://www.dmo.gov.uk/ceLogon.aspx?page=Nominal_IL&rptCode=D5I

Daily index ratios

<http://www.dmo.gov.uk/ceLogon.aspx?page=D10C&rptcode=D10C>

Money Markets

Treasury bill prices

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Daily_Prices_Yields&rptCode=D3A

Summary of T-bill tender results

www.dmo.gov.uk/index.aspx?page=tbills/tbill_tenders

Treasury bill issuance history

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Portfolio_Composition&rptcode=D2.2G

Credit Guarantee Scheme (CGS)

<http://www.dmo.gov.uk/index.aspx?page=CGS/CGSIntro>

Asset-backed Securities Guarantee Scheme

http://www.dmo.gov.uk/index.aspx?page=CGS/ABS_about

Key Documents

Historical copies of the Quarterly Review

www.dmo.gov.uk/index.aspx?page=publications/Quarterly_Reviews

Historical copies of the Annual Review

http://www.dmo.gov.uk/index.aspx?page=publications/Annual_Reviews

Operational Notice – Gilt market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot20090318.pdf&page=operational_rules/Document

Operational Notice – Cash market

www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.pdf&page=money_markets/publication

Guidebook – GEMMs

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20090318.pdf&page=operational_rules/Document

Debt & Reserves Management Report 2009-10

www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0910.pdf&page=Remit/full_details

Gilt prospectuses

<http://www.dmo.gov.uk/ceLogon.aspx?page=Prospectuses&rptcode=D8E>

Formulae for Calculating Gilt Price from Yields

<http://www.dmo.gov.uk/documentview.aspx?docname=/giltsmarket/formulae/yldeqns.pdf&page=Gilts/Formulae>

DMO FINANCING REMIT 2009-10

The DMO's new financing remit 2009-10 was published along side Budget 2009. The main points are summarised below.

a) Debt issuance by the DMO

The DMO plans to raise £241.6 billion² in 2009-10 split as follows:

Gilt sales	£220.0 billion
Net Treasury bill sales	£21.6 billion

b) Planned gilt sales

It is intended that the gilt sales target of £220.0 billion will be met through a combination of:

- £183.0 billion in 58 outright auctions;
- £25.0 billion by a supplementary programme of syndicated offerings;
- £12.0 billion in a supplementary series of gilt mini-tenders.

c) Gilt sales split by type and operation

Planned gilt sales by type, maturity and issuance method are summarised below. The planning assumption that supplementary issuance methods will be used exclusively to issue long-dated conventional and index-linked gilts may be revised in light of developing market and demand conditions.

- £74.0 billion short-dated conventional gilts in 15 auctions.
- £70.0 billion medium-dated conventional gilts in 19 auctions.
- £27.0 billion long-dated conventional gilts in 12 auctions.
- £19.0 billion long dated conventional gilts in a combination of syndicated offerings and mini-tenders.
- £12.0 billion index-linked gilts in 12 auctions.
- £18.0 billion index-linked gilts in a combination of syndicated offerings and mini-tenders.

d) Syndicated offerings

It is anticipated that up to eight syndicated offerings will be held in 2009-10. The DMO will discuss plans for syndications with market participants at quarterly consultation meetings and announce any intention to issue gilts via syndicated offerings as part of its quarterly calendar announcements. It is anticipated that the date and identity of a gilt to be sold by syndication will be announced approximately two weeks before the launch of the offer.

e) Mini-tenders

The DMO envisages holding at least one mini-tender per month. The weeks in which mini-tenders are to be held will be announced in the quarterly calendar announcements with details of the gilt to be sold announced closer to the operation date, in accordance with existing practice.

f) Post-auction option facility

Starting with the auction on 2 June 2009, the DMO will give an option to successful bidders at auctions (both GEMMs and investors) to purchase additional stock up to 10 per cent of the amount allocated to them at the auction. This option window will open at 12.00 noon on the day of the auction and will expire at 2.00pm on the day of the auction. The additional stock will be available to successful bidders at the average accepted price at conventional auctions and the single clearing (or strike) price at index-linked auctions. This facility will be in addition to the existing non-competitive facility available to GEMMs.

¹ A provisional financing remit was published on 18 March 2009 to meet the requirements of the Code for Fiscal Stability. It was stated at that time that a new remit would be published alongside Budget 2009 in line with the updated financing arithmetic.

² All amounts in this announcement are in cash terms (unless otherwise indicated).

g) Treasury bill sales

The stock of Treasury bills in market hands is scheduled to rise by £21.6 billion in 2009-10 increasing the planned stock at end-March 2010 to £65.6 billion. The DMO has discretion to vary the Treasury bill stock over the end of the financial year in line with its cash management operational requirements. Any difference between the outturn and the target for 2009-10 will be reported in April 2010, along with any wider implications for the DMO's financing remit in 2009-10 arising from the publication of the outturn for the 2009-10 Central Government Net Cash Requirement (CGNCR).

h) Changes to the financing requirement

The Debt and Reserves Management Report (DRMR) 2009-10 includes the outturn for the CGNCR for 2008-09 of £162.4 billion and a CGNCR forecast for 2009-10 of £220.8 billion. These are increases of £9.5 billion and £94.8 billion respectively from the forecasts published at PBR 2008.

2008-09

The other main changes impacting on financing in 2008-09 since PBR 2008 are:

- £1.0 billion of financing for the initial phase of the Bank of England's Asset Purchase facility (financed by Treasury bill sales). These arrangements were suspended in February 2009;
- £2.4 billion of secondary market gilt purchases by the DMO (predominantly of the near maturity 2½% Index-linked Treasury Stock 2009);
- an increase of £1.5 billion to £12.5 billion in the net contribution to financing by National Savings & Investments;
- an increase of £11.9 billion (to £44.0 billion) in the end-March 2009 Treasury bill stock. This was principally due to sales of bilateral Treasury bills, £9.7 billion of which were in market hands at the end of the 2008-09 financial year; and
- the increased contribution to financing from Treasury bills resulted in an end year DMO net cash position of £1.1 billion, an increase relative to plan of £0.6 billion. This surplus is represented as a short-term financing adjustment in 2009-10 reducing the financing requirement in the current financial year accordingly.

2009-10

- the redemption total for 2009-10 at £16.6 billion is lower than the £18.1 billion shown in the provisional remit, principally reflecting the impact of DMO purchases of 2½% Index-linked Treasury Stock 2009 as a near-maturity gilt in 2008-09;
- the financing arithmetic assumes that the £1.0 billion financing for the initial phase of the Bank of England's Asset Purchase facility is repaid as the relevant bills mature in 2009-10;
- the financing arithmetic also assumes a further repayment of the Ways and Means Advance from the Bank of England of up to £3.8 billion to take the facility to its planned level of £0.4 billion.