

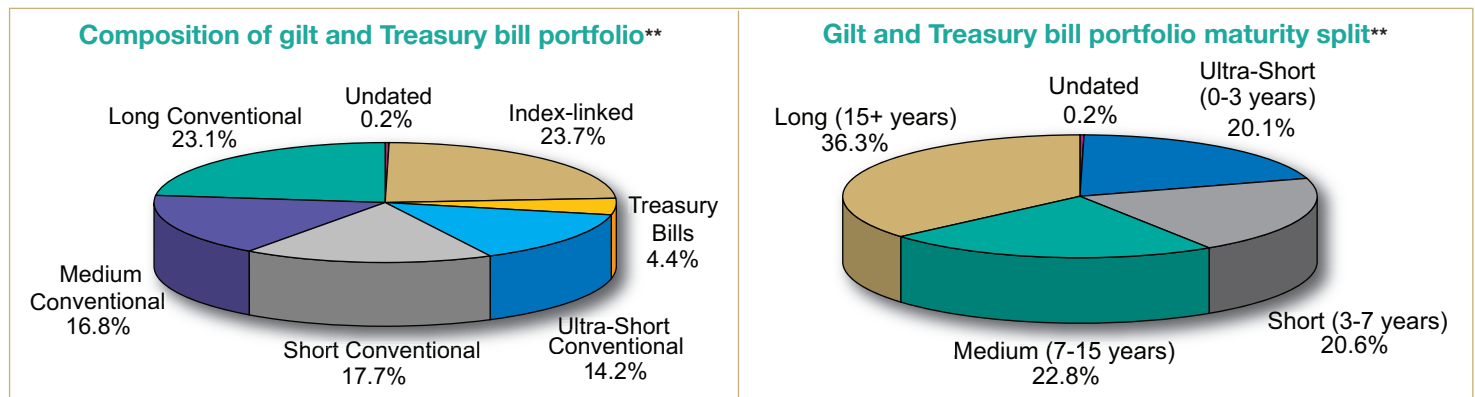


Quarterly REVIEW

Details of the Gilt and Treasury bill portfolio at 31 December 2012

Portfolio summary statistics	28 September 2012		31 December 2012	
	Gross	Net*	Gross	Net*
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,302.29bn	£1,171.50bn	£1,323.25bn	£1,192.22bn
Nominal value of the gilt portfolio - including inflation uplift	£1,239.87bn	£1,109.08bn	£1,271.28bn	£1,140.25bn
• Conventional gilts - inc. undated gilts	£949.79bn	£831.19bn	£976.78bn	£858.15bn
• Index-linked gilts	£290.07bn	£277.89bn	£294.51bn	£282.10bn
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,558.81bn	£1,393.54bn	£1,577.24bn	£1,413.66bn
Market value of the gilt portfolio	£1,496.43bn	£1,331.16bn	£1,525.32bn	£1,361.73bn
• Conventional gilts - inc. undated gilts	£1,146.20bn	£996.50bn	£1,163.35bn	£1,015.65bn
• Index-linked gilts	£350.23bn	£334.66bn	£361.97bn	£346.08bn
Market value weighted average portfolio yield:				
• Conventional gilts - inc. undated gilts	1.59%	1.57%	1.70%	1.68%
• Index-linked gilts	-0.44%	-0.42%	-0.57%	-0.55%
Market value weighted average portfolio maturity - inc TBills:	14.60 years	14.62 years	14.56 years	14.60 years
Market value weighted average portfolio maturity - exc. TBills:	15.21 years	15.30 years	15.04 years	15.15 years
• Conventional gilts - exc. undated gilts	13.95 years	13.81 years	13.68 years	13.55 years
• Index-linked gilts	19.32 years	19.73 years	19.43 years	19.83 years
Market value weighted average portfolio modified duration:				
• Conventional gilts - inc. undated gilts	9.41 years	9.34 years	9.22 years	9.15 years
• Index-linked gilts	17.27 years	17.65 years	17.49 years	17.87 years

*The 'Net' holdings category excludes gilts held by the DMO.

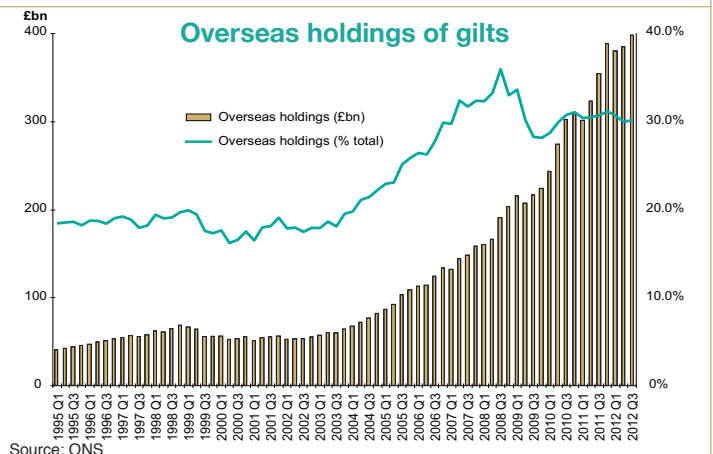


Distribution of gilt holdings at 28 September 2012 (based on market values)

(£millions)	at end	Q2 2012	Q3 2012
Overseas		385,136	398,313
Bank of England (Asset Purchase Facility)		351,582	386,818
Insurance companies and pension funds		345,034	335,814
Monetary Financial Institutions*		117,023	106,810
Other financial institutions and other		59,084	61,495
Households		26,093	29,136
Local authorities and public corporations		958	999
TOTAL		1,284,910	1,319,385

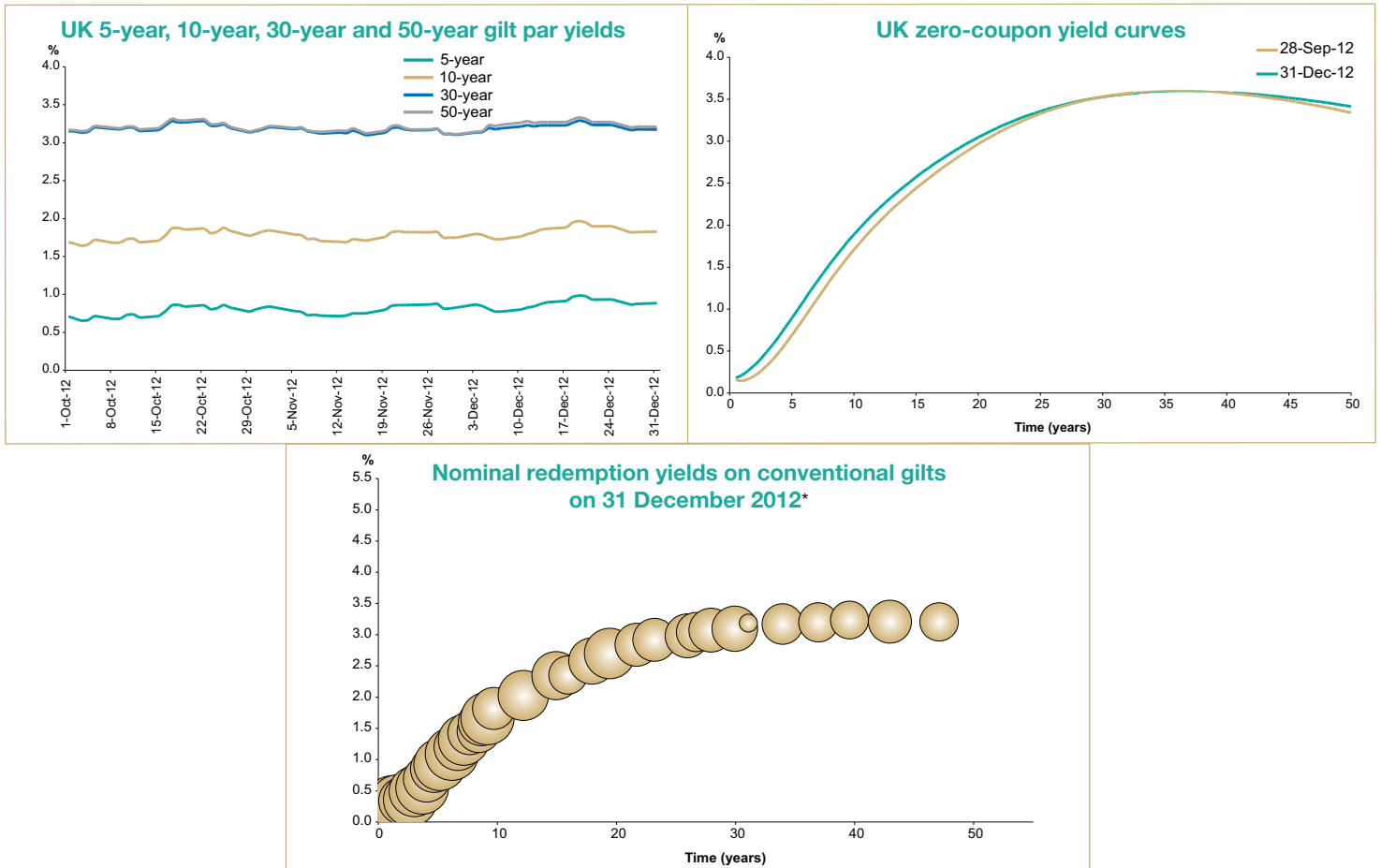
Source: ONS & BoE. These figures can be revised retrospectively.

*Monetary Financial Institutions replaces Banks and Building societies, and excludes BoE holdings.



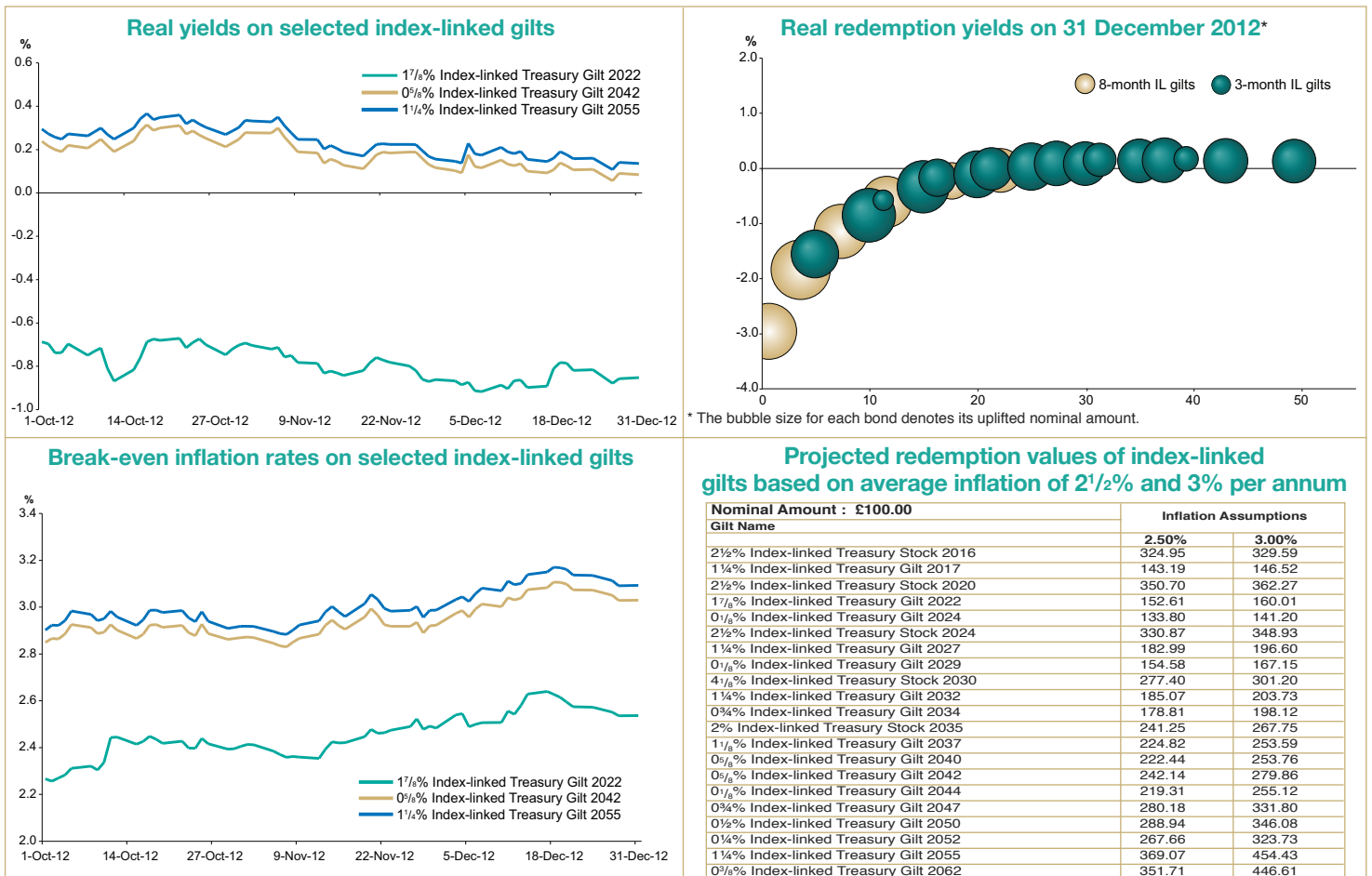
** These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts



* The bubble size for each bond denotes its nominal amount. Rump gilts are not displayed in this chart.

Index-linked gilts



* The bubble size for each bond denotes its uplifted nominal amount.

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 2016	324.95	329.59
1¼% Index-linked Treasury Gilt 2017	143.19	146.52
2½% Index-linked Treasury Stock 2020	350.70	362.27
1⅞% Index-linked Treasury Gilt 2022	152.61	160.01
0⅞% Index-linked Treasury Gilt 2024	133.80	141.20
2½% Index-linked Treasury Stock 2024	330.87	348.93
1¼% Index-linked Treasury Gilt 2027	182.99	196.60
0⅞% Index-linked Treasury Gilt 2029	154.58	167.15
4⅞% Index-linked Treasury Stock 2030	277.40	301.20
1¼% Index-linked Treasury Gilt 2032	185.07	203.73
0¼% Index-linked Treasury Gilt 2034	178.81	198.12
2% Index-linked Treasury Stock 2035	241.25	267.75
1⅞% Index-linked Treasury Gilt 2037	224.82	253.59
0⅞% Index-linked Treasury Gilt 2040	222.44	253.76
0⅞% Index-linked Treasury Gilt 2042	242.14	279.86
0⅞% Index-linked Treasury Gilt 2044	219.31	255.12
0¼% Index-linked Treasury Gilt 2047	280.18	331.80
0½% Index-linked Treasury Gilt 2050	288.94	346.08
0¼% Index-linked Treasury Gilt 2052	267.66	323.73
1¼% Index-linked Treasury Gilt 2055	369.07	454.43
0⅞% Index-linked Treasury Gilt 2062	351.71	446.61

Data extracted from www.dmo.gov.uk report D9C on: 22/01/13

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jul-11	16,592	-5,190	-2,104	9,298
Aug-11	9,476	-7,991	-903	582
Sep-11	15,043	0	-9,959	5,084
Oct-11	17,031	0	-235	16,796
Nov-11	11,915	0	-711	11,204
Dec-11	16,138	-14,970	-7,409	-6,241
Jan-12	19,185	-256	-2,071	16,858
Feb-12	15,450	0	-737	14,713
Mar-12	12,180	-20,609	-10,718	19,147
Apr-12	17,554	0	-239	17,315
May-12	19,296	0	-734	18,562
Jun-12	11,667	-22,616	-7,344	-18,293
Jul-12	18,236	0	-2,411	15,825
Aug-12	10,106	-191	-738	9,177
Sep-12	16,486	0	-10,721	5,765
Oct-12	18,588	0	-243	18,345
Nov-12	14,832	0	-744	14,088
Dec-12	4,748	0	-6,937	-2,189
Jan-13	13,097	0	-2,516	10,581
Feb-13	-	0	-739	-
Mar-13	-	-29,845	-11,421	-

Figures may not sum due to rounding.

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

2011-12 and 2012-13 financing requirements

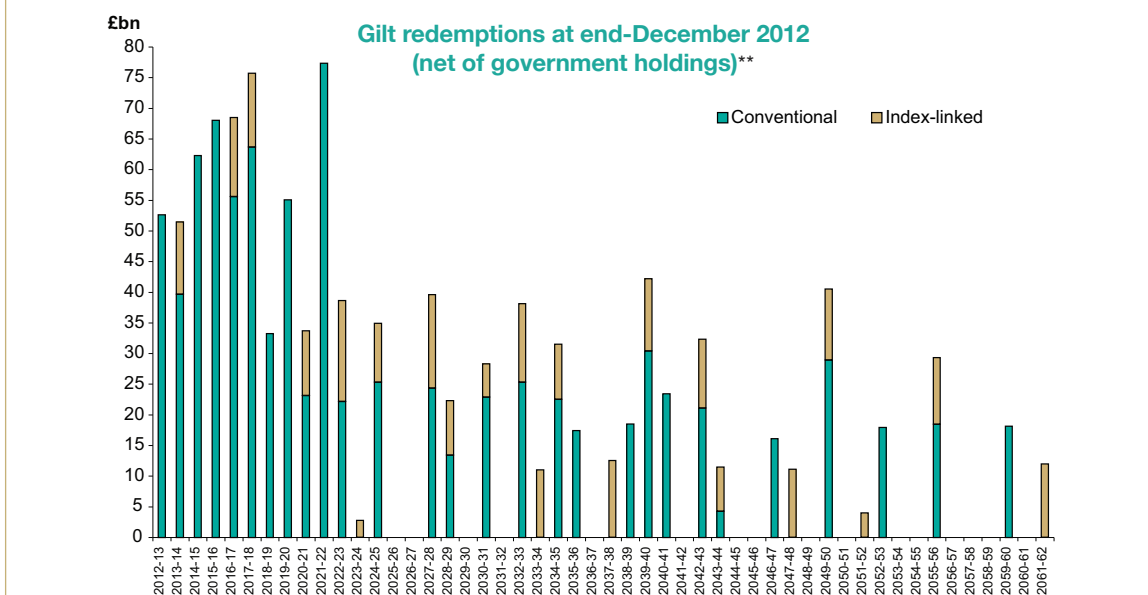
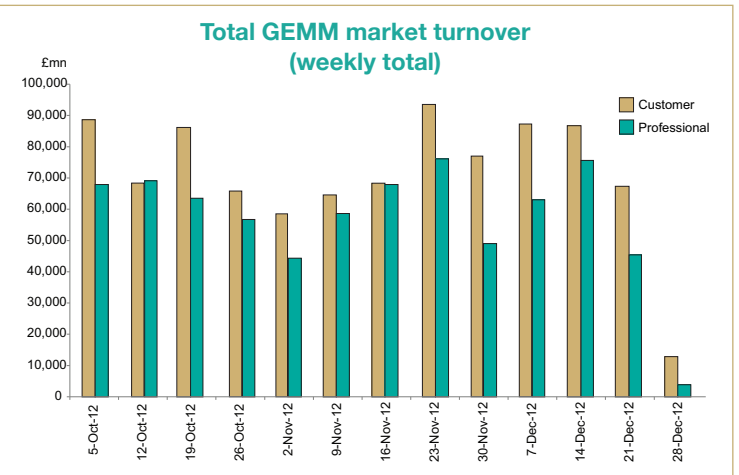
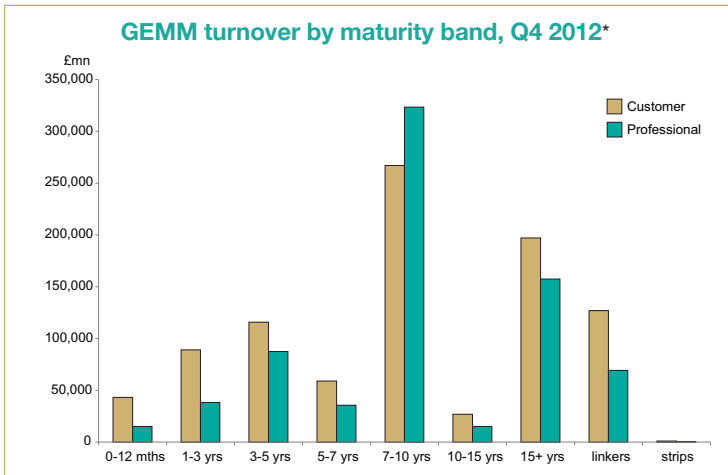
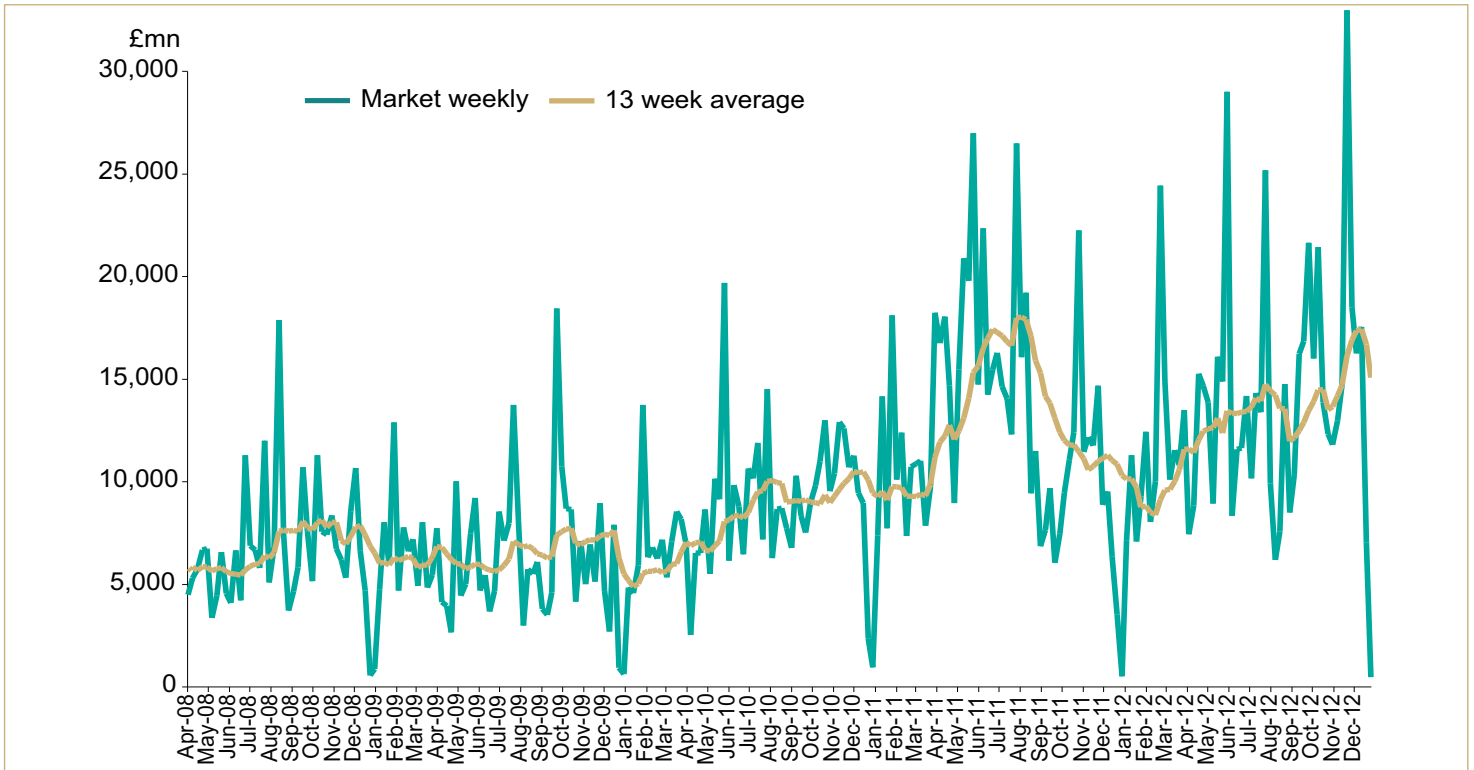
(£bn)	2011-12 (Outturn)	2012-13*	2012-13 Autumn Statement
Central Government Net Cash Requirement (CGNCR) forecast	126.4	121.0	106.1
Adjustment for NRAM and B&B*	0.0	0.0	-2.6
Gilt Redemptions	49.0	52.9	52.9
Financing for the Official Reserves	6.0	6.0	6.0
Debt buy-backs	0.0	0.0	0.0
Planned short-term financing adjustment	-8.6	-17.4	-17.2
Gross financing requirement	172.8	162.5	145.3
Less			
National Savings & Investments' contribution	4.0	0.0	-2.0
Net financing requirement	168.8	162.5	147.3
Gilt sales planned during the year	179.4	164.4	164.2
Change in planned Treasury bill stock	6.8	-1.9	-16.9
Change in Ways and Means	0.4	0.4	0.4
DMO net cash position at end of financial year	17.9	0.5	0.5

Figures may not sum due to rounding.

* as updated on 24 April 2012.

* Northern Rock Asset Management (NRAM) and Bradford and Bingley (B&B).

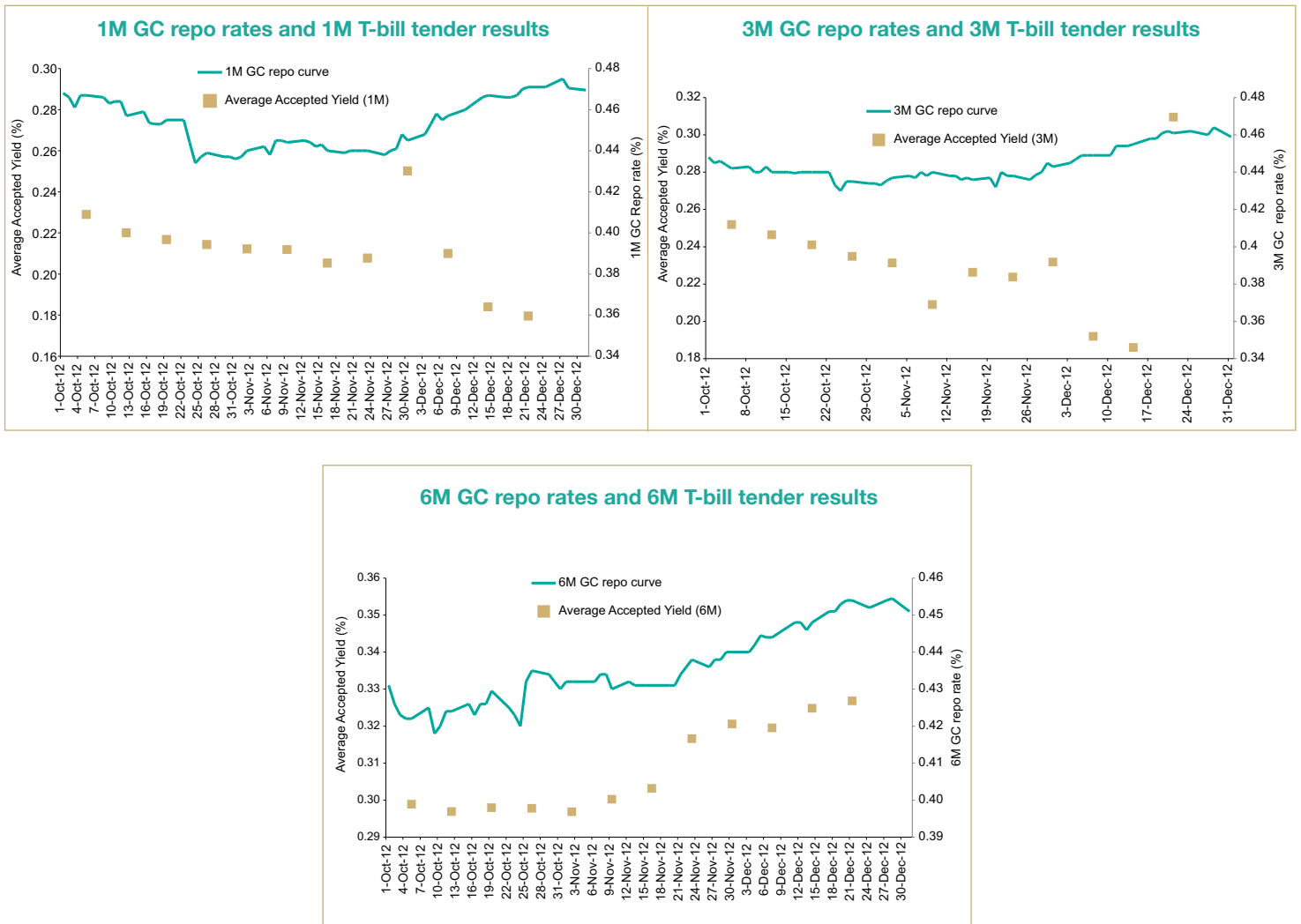
Index-linked gilt market turnover 2008-2012



*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).

** The redemption totals for index-linked gilts in this chart do not reflect the full value of inflation uplift. They are calculated in a way consistent with the formulation of the Government's financing requirement, i.e. that part of the accrued inflation uplift on any redeeming gilts that represents the return to investors is included in the CGNCR in that redemption year, and the remainder is included in the redemption total for the year in which the relevant gilts redeem. 'Government holdings' is defined as gilts held by the DMO.

Money market operations



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Updated data, press releases and other information are available on the DMO website at www.dmo.gov.uk. Please send any queries to one of the email addresses above.

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/index.aspx?page=Remit/Information>

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

Index-linked gilts in issue

<http://www.dmo.gov.uk/reportView.aspx?rptCode=D1D&rptName=75321885&reportpage=D1D>

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 Treasury bills 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

Guarantee schemes

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

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

DMO Website: Useful Website Links

Operational Notice – Gilt market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/Opnot20130125.pdf&page=operational_rules/Document

Operational Notice – Cash market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot180210.pdf&page=money_markets/publication

Guidebook – GEMMs

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20130125.pdf&page=operational_rules/Document

Debt & Reserves Management Report 2012-13

http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1213.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>

Public Works Loan Board (PWLB)

<http://www.dmo.gov.uk/index.aspx?page=PWLB/Introduction>

AUTUMN STATEMENT 2012: REVISION TO THE DMO FINANCING REMIT 2012-13 AND RESPONSE TO THE CONSULTATION ON SUPER LONG/PERPETUAL GILTS

1. Planned gilt sales in 2012-13 are being reduced by £0.2 billion¹ to £164.2 billion and planned sales of Treasury bills are being reduced by £15.0 billion, taking the forecast level of the Treasury bill stock at end-March 2013 to £53.5 billion, as a result of the publication of the new fiscal aggregates announced in the Office for Budget Responsibility's (OBR's) December 2012 *Economic and Fiscal Outlook*.
2. Separately, the DMO is also announcing today that the Government will remove the current maturity cap on issuance of gilts set at around 50 years and that in 2013-14 the DMO will look to launch new issuance in the 50-60 year area, subject to demand and market conditions. The Government will not introduce new perpetual gilts at the current time (see paragraphs 15-16).

Gilt sales

3. The £0.2 billion reduction to the gilt sales programme is being delivered through a reduction in the mini-tender programme, reducing planned sales via mini-tenders to £6.3 billion and the balance of sales required in Q4 2012-13 to meet the plan to £1.3 billion.
4. The main change to the gilt financing remit for the remainder of the financial year is the reduction in required auction sizes as a result of the application of proceeds from the Post Auction Option Facility (PAOF) in 2012-13 to the calculation of required average auction sizes². Changes to required average auction sizes are shown below. The gilt auction calendar remains unchanged.

(£ billion cash)	Average Required Auction Sizes		
	April revision	Pre-AS 2012	Post-AS 2012
Short	4.58	4.66	3.89
Medium	3.45	3.42	2.44
Long	2.16	2.07	1.80
Index-linked	1.36	1.35	1.13

5. A modification is, however, being made to the structure of long conventional gilt sales, with £0.75 billion of planned sales via syndications being switched to the auction programme. Without such a switch the average required size of long conventional auctions would have been only £1.45 billion (cash).
6. As a consequence, the cash amount remaining to meet the long syndication target falls to £3.5 billion. If necessary, however, to maintain operational viability, the remit provides the DMO with the flexibility to increase the size of the final syndicated offer (of each programme), either via switching funding from the mini-tender programme, or via a top-up of up to 10% of the size of the relevant syndication programme (i.e. in this case for the long conventional programme, up to £1.3 billion cash).

¹ Figures in this announcement are in cash terms unless otherwise indicated.

² Both proceeds which have accrued in the financial year to date, and projected sums for the remainder of the financial year (based on the rate of take-up in the financial year to-date) are factored into the auction size calculations at the Autumn Statement.

Treasury bill sales

7. The planned end-March 2013 stock of Treasury bills is being reduced by £16.9 billion in 2012-13, compared to a planned reduction of £1.9 billion announced in April 2012. The planned stock of Treasury bills at end-March 2013 on this basis will be £53.5 billion. The revised target will be achieved by not implementing the increases in the sizes of the weekly one- and three-month Treasury bill tenders in Q4 2012-13, which would have been required to hit the previously planned target for the stock of £68.5 billion.
8. The total amount of Treasury bills in issue at end-March 2013 will, however, also reflect the sale by the DMO of Treasury bills on a bilateral basis, which mature in 2013-14; the total amount of Treasury bills sold bilaterally to-date in 2012-13 is £1.9 billion (an update will be provided at Budget 2013).

Changes to the financing requirement at the Autumn Statement 2012

9. The OBR's forecast for the Central Government Net Cash Requirement (CGNCR) in 2012-13 has fallen by £14.9 billion to £106.1 billion. This principally reflects the expected receipt of £11.5 billion of coupon income expected during Q4 2012-13 from the Bank of England's Asset Purchase Facility, expected receipts of £3.5 billion from the sales of the 4G Spectrum licences, a faster sale of Royal Mail Pension Plan assets than had been expected at Budget 2012, as well as other policy measures.
10. The financing requirement in 2012-13 has been further reduced by £2.6 billion arising from the reclassification of Northern Rock (Asset Management) (NRAM) and Bradford and Bingley plc (B&B) to the central government; this reflects the repayment of loans by NRAM and B&B to the Exchequer, which, while not included in the CGNCR, reduce the Exchequer's need to raise cash.
11. Offsetting these reductions are:
 - a. a revised assumption for the net contribution to financing in 2012-13 by National Savings & Investments (NS&I) from £ zero to a de-fund of £2.0 billion;
 - b. the need to adjust for an upward revision of £0.2 billion to the 2011-12 CGNCR, which took place after the publication of the remit revision on 24 April 2012; and
 - c. the marginal impact of DMO secondary market purchases of gilts in 2012-13.

Future illustrative gross financing requirements

12. The OBR's December 2012 *Economic and Fiscal Outlook* includes updated projections for the CGNCR from 2013-14 to 2017-18. Revised illustrative gross financing requirements are shown below. These financing requirements use the new CGNCR projections together with the adjustments arising from the reclassification of NRAM and B&B, gilt redemptions in these years (NB the redemption totals make no assumptions about future gilt issuance) and financing for the Official Reserves. These projections are not gilt sales forecasts, they make no assumptions about any contribution to financing either from NS&I or via Treasury bill sales.

(£ billions)	2013-14	2014-15	2015-16	2016-17	2017-18
CGNCR projections	105	102	86	71	51
Adjustment for NRAM & B&B	-3	-3	-2	-1	-3
Gilt redemptions	52	62	68	69	76
Financing for the Official Reserves	6	6	0	0	0
Illustrative gross financing requirement	161	167	151	139	124

Figures may not sum due to rounding.

Consultation on the potential issuance of super-long and/or perpetual gilts

13. The DMO is today publishing the Government's response to its consultation on the potential issuance of super-long and/or perpetual gilts. The DMO press release is available at:

<http://www.dmo.gov.uk/documentview.aspx?docName=/gilts/press/pr051212.pdf>

14. The Government's formal response document, including a summary of the feedback received in response to the consultation, is available at:

<http://www.dmo.gov.uk/documentview.aspx?docName=publications/giltsmarket/consultationpapers/cons20121205.pdf>