

27 January 2011

## **PRESS NOTICE**

### **RESULT: RE-OPENING BY SYNDICATED OFFERING OF 1¼% INDEX-LINKED TREASURY GILT 2055. CANCELLATION OF TWO SCHEDULED GILT MINI-TENDERS**

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £3.25 billion nominal of 1¼% Index-linked Treasury Gilt 2055 has been priced at £120.825 per £100 nominal, equating to a gross real redemption yield of 0.707%. The offer was priced at a yield spread of 2½ basis points (bps)<sup>1</sup> below 0½% Index-linked Treasury Gilt 2050 which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £4.6 billion.

The offer will settle, and the further tranche of the gilt be issued, on 28 January 2011, following which the size of 1¼% Index-linked Treasury Gilt 2055 will be £10.45 billion (nominal). The domestic investor base provided the main support for the issue, taking around 95% of the allocation. There was again strong direct interest from end investors, primarily fund managers, pension funds and insurance companies. This transaction was the final one of the 2010-11 programme of syndicated gilt offerings, which has raised £26.9 billion relative to planned sales of £26.2 billion. Sales of index-linked gilts by syndicated offerings are £13.9 billion relative to plans of £13.2 billion.

As a consequence of index-linked gilt sales via syndicated offerings exceeding plans by £0.7 billion, the DMO is also announcing today that the two index-linked gilt mini-tenders originally scheduled for the weeks commencing 14 February and 21 March are being cancelled.

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<sup>1</sup> 0.025%.

Commenting on the result, Robert Stheeman, the Chief Executive of the DMO said:

*Today's successful transaction represents an excellent conclusion to the DMO's syndication programme for 2010-11. Once again, I was particularly pleased to see strong direct interest from our core domestic investor base. This clearly shows one of the key benefits of the use of syndications in providing direct access, in large size, to our core index-linked gilt investor base (including the UK pension and insurance sectors), whilst of course achieving fair value for the taxpayer.*

*The extent of high quality demand mobilised today has enabled us to raise slightly more than we had originally planned through index-linked syndications from within the supplementary programme as a whole; as a consequence we have decided today to rebalance the financing contribution within the index-linked supplementary programme by cancelling the two remaining planned index-linked gilt mini-tenders.*

*The execution of today's transaction is once again testament to the resilience of the gilt market and its participants. I appreciate the commitment shown by all parties involved both in today's transaction and through the syndication programme in 2010-11 as a whole.*

## **NOTES TO EDITORS**

The syndicated offering was managed by four Joint Bookrunners: Barclays Capital, BNP Paribas, RBC Capital Markets and RBS. All other panel member Index-linked Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 13 January 2011.

The order book managed by the Joint Bookrunners was opened at 9.00am on 27 January 2011 with indicative price guidance for investors at a spread of 1½ to 2½ bps below the yield on 0½% Index-linked Treasury Gilt 2050. The value of orders in the book passed £1 billion after 5 minutes. At 9.35am the Joint Bookrunners announced that the value of orders in the book was in excess of £3 billion, that price guidance was unchanged and that the book was expected to close at short notice. At 10.00am it was announced that the size of the book was approaching £5 billion, that it would close at 10:15am and that pricing was to be at a spread of 2½ basis points below the reference gilt (the tight end of the original price range). The book closed with bids totalling £5.8 billion in 55 orders.

At 11.45am the size of the deal was announced to be £3.25 billion (nominal). Proceeds from the transaction are expected to be approximately £4.6 billion and will take index-linked gilt sales for the financial year to-date to £31.7 billion. Total gilt sales for the financial year are £146.0 billion (cash), relative to the remit target of £165.2 billion. A planning assumption of sales from syndications of £26.2 billion was announced in the Economic and Fiscal Outlook on 29 November 2010 (as part of a supplementary gilt sales programme of approximately £33.2 billion, comprising syndicated offers and gilt mini-tenders).

As a result of today's syndicated offer, total supplementary gilt sales have today reached the planned annual total. As a consequence, the two index-linked gilt mini-tenders originally scheduled for the weeks commencing 14 February and 21 March are being cancelled. The supplementary gilt issuance programme for 2010-11 has now been completed.

The progress of gilt sales versus the remit targets is shown in the table below.

<b>Gilt sales relative to remit targets: 27 January 2011 (£ millions)</b>					
	<b>Conventional Gilts</b>			<b>Index-linked</b>	<b>Total</b>
	<b>Short</b>	<b>Medium</b>	<b>Long</b>	<b>gilts</b>	
<b>Total gilt sales to-date</b>	<b>45,337</b>	<b>32,387</b>	<b>36,582</b>	<b>31,734</b>	<b>146,039</b>
<b>Planned sales at auctions</b>	<b>52,700</b>	<b>38,200</b>	<b>24,100</b>	<b>17,000</b>	<b>132,000</b>
<b>1. Sales at auctions*</b>	<b>44,996</b>	<b>32,112</b>	<b>19,750</b>	<b>14,890</b>	<b>111,749</b>
<b>Balance of auction sales to plan</b>	<b>7,130</b>	<b>5,596</b>	<b>4,110</b>	<b>2,020</b>	<b>20,251</b>
<b>Auctions remaining</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>8</b>
<b>Auction evenflow</b>	<b>3,565</b>	<b>2,798</b>	<b>2,055</b>	<b>1,010</b>	
<b>2. Sales by syndication</b>			<b>12,994</b>	<b>13,944</b>	<b>26,938</b>
<b>Planned sales by syndication</b>					<b>26,200</b>
<b>3. Sales by tender</b>			<b>3,428</b>	<b>2,841</b>	<b>6,268</b>
<b>Planned sales by tender</b>					<b>7,000</b>
<b>Total supplementary sales</b>			<b>16,422</b>	<b>16,785</b>	<b>33,207</b>
<b>4. PAOF proceeds**</b>	<b>341</b>	<b>275</b>	<b>409</b>	<b>59</b>	<b>1,084</b>
<b>Total planned sales</b>	<b>52,700</b>	<b>38,200</b>	<b>40,500</b>	<b>33,800</b>	<b>165,200</b>
<i>* Including PAOF proceeds to 29 November 2010</i>					
<i>** Since 29 November 2010</i>					
<b>Sales remaining to meet plan</b>					<b>19,161</b>

This press notice will be appearing on the DMO's website at: [www.dmo.gov.uk](http://www.dmo.gov.uk)

