

29 May 2012

PRESS NOTICE

RESULT: RE-OPENING BY SYNDICATED OFFERING OF £4.0 BILLION OF 0³/₈% INDEX-LINKED TREASURY GILT 2062

£0.5 BILLION (CASH) ADDED TO PLANNED INDEX-LINKED SALES BY SYNDICATION AND PLANNED MINI-TENDER SALES REDUCED CORRESPONDINGLY

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £4.0 billion nominal of 0³/₈% Index-linked Treasury Gilt 2062 has been priced at £116.520 per £100 nominal, equating to a gross real redemption yield of 0.040%. The offer was priced at a yield spread of 0.5 basis points (bps)¹ above the yield on 1¹/₄% Index-linked Treasury Gilt 2055 which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £4.75 billion.

The offer will settle, and the third tranche of this gilt will be issued, on 30 May 2012, after which 0³/₈% Index-linked Treasury Gilt 2062 will have £12.25 billion nominal in issue. The UK domestic market again provided the main support for the issue, taking around 83% of the allocation, but overseas participation was at a record level.

This transaction was the second of the 2012-13 syndication programme comprising up to eight syndicated gilt offerings. Sales by syndication in the financial year to-date are £9.80 billion.

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

¹ 0.005%.

“Today’s sale of our 50-year index-linked gilt is another striking success for the gilt market. Once again we have been very impressed with the market’s capacity to mobilise a very large and high quality book of demand, of £11 billion, within 45 minutes, a record time for an index-linked syndication and the record time for any book of this size. Given the amount of risk on offer today – which we should not underestimate – this result is a clear demonstration of the resilience of the gilt market and the underlying strength of investor demand for our inflation linked securities against an ongoing challenging financial market backdrop. I was also particularly pleased to see a record level of participation at any syndication by overseas accounts today.

Such was the size and quality of demand we received that we decided to set the size of today’s deal at £4.0 billion (nominal). This was some £750 million nominal more than would have been necessary to reach an even-flow proceeds amount, and took proceeds today to £4.75 billion. As a result of this we have re-adjusted the balance between the syndication and mini-tender programmes.

The deal also represents good value for the taxpayer, with the yield at the sale being the lowest at which the DMO has ever sold a 50-year index-linked gilt via syndication or auction. Despite a recent back up in real yields, today’s sale was priced at a yield of 0.040%, some six basis points below the yield at the last sale of this gilt in January.

I appreciate the support for our syndication programme shown by all those involved in today’s transaction and by all gilt market participants in our gilt sales programme more generally.

Syndication and mini-tender programmes adjustment

As a result of the strong and high quality demand at today’s syndication, the size of the offer was increased above even-flow. Consequently, the split between the syndication programme and the mini-tender programme is being adjusted. £0.5 billion (cash) will be added to the planned total of index-linked sales via syndication, taking that total to £19.5 billion, and the overall planned syndication programme to £33.0 billion. £0.5 billion (cash) will be deducted from the mini-tender programme, reducing that programme to £6.5 billion. The DMO is also announcing today that it will not be scheduling any further mini-tenders in the remainder of the first quarter of the financial year.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Barclays, Credit Suisse, HSBC and UBS Investment Bank . 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 11 May 2012.

The order book managed by the Joint Bookrunners was opened at 9.00am on 29 May 2012 with indicative price guidance for investors at a spread of 0.5bps to 1.0bp above the yield on 1¼% Index-linked Treasury Gilt 2055. The value of orders in the book passed £6 billion within 10 minutes. At 9.22am the Joint Bookrunners announced that the value of orders in the book was in excess of £8 billion, that the price guidance was being tightened to a spread of 0.5bps above the reference bond and that the book would close at short notice. At 9.37am the Joint Bookrunners announced that the book would close at 9.45am. The book closed with 105 orders totalling £11.0 billion. At 10.38am the size of the deal was announced to be £4.0 billion (nominal).

The price was set at 12.31pm. Proceeds from the transaction are expected to be approximately £4.75 billion and will take index-linked gilt sales for the financial year to-date to £7.71 billion. Total gilt sales for the financial year are now £36.85 billion (cash), relative to the remit target of £164.40 billion.

This press notice will be appearing on the DMO's website at: www.dmo.gov.uk