

22 November 2012

RE-OPENING BY SYNDICATED OFFERING OF £3.25 BILLION OF 0½% INDEX-LINKED TREASURY GILT 2044

The United Kingdom Debt Management Office (“DMO”) announces that the re-opening by syndicated offering of £3.25 billion nominal of 0½% Index-linked Treasury Gilt 2044 has been priced at £93.874 per £100 nominal, equating to a gross real redemption yield of 0.331%. The offer was priced at a yield spread of 7 basis points (bps)¹ above the yield on 0½% Index-linked Treasury Gilt 2042, which was at the tight end of the published price guidance. Proceeds from today’s transaction are expected to be approximately £3.1 billion.

The offer will settle, and the second tranche of this gilt will be issued, on 23 November 2012, on which date the gilt will have £7.25 billion (nominal) in issue. The UK domestic market again provided the main support for the issue, taking around 93% of the allocation.

This transaction was the sixth of the 2012-13 syndication programme comprising up to eight syndicated gilt offerings. Sales by syndication in the financial year to-date are £24.9 billion.

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

“Today’s re-opening of the 30 year index-linked benchmark took place on a historic date for the index-linked gilt market, which saw a significant index extension event, indeed today’s sale was timed to coincide with this event – in line with clear market feedback.”

¹ 0.07%.

This was a solid deal and I am pleased that we were again able to facilitate a good level of placement to our core domestic investor base, which took around 93% of the allocations and successfully built up the 2044 maturity to become the new 30-year index-linked benchmark.

The size of the offer reflected market and demand conditions as they emerged on the day and our decision here reflected the important role of syndications as a flexible financing tool – with no pre-commitment to a particular size, but responsive to market requirements.

I welcome the support for our syndication programme shown by those involved in today's transaction".

Syndication and gilt mini-tender programmes

No change is being made to the split between the syndication programme and the mini-tender programme following today's syndicated offering. Total planned syndication sales are £33.0 billion of which index-linked gilts comprise £19.5 billion. Planned sales via gilt mini-tenders remain at £6.5 billion.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: BofA Merrill Lynch, Deutsche Bank, HSBC and Nomura. 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 7 November 2012.

The order book managed by the Joint Bookrunners was opened at 9.00am on 22 November 2012 with indicative price guidance for investors at a spread of 7bps to 7½ bps above the yield on 0½% Index-linked Treasury Gilt 2042. The value of orders in the book passed £3.5 billion within 10 minutes. At 9.30 am the Joint Bookrunners announced that the value of orders in the book was in excess of £5 billion. At 10.02am the Joint Bookrunners announced that the final price guidance was being tightened to a spread of 7bps above the reference bond, that the book would close at 10.30am and that the size of the book was approaching £6 billion. The book closed with 58 orders totalling £5.9 billion.

At 11.23am the Lead Managers announced that the size of the deal was £3.25 billion (nominal). The price was set at 1.06pm. Proceeds from the transaction are expected to be

approximately £3.1 billion and will take index-linked gilt sales for the financial year to-date to £27.2 billion. Total gilt sales for the financial year are now £126.8 billion (cash), relative to the remit target of £164.4 billion.

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