

26 July 2011

## **PRESS NOTICE**

### **RESULT: RE-OPENING BY SYNDICATED OFFERING OF £4.0 BILLION OF 0¾% INDEX-LINKED TREASURY GILT 2034**

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £4.0 billion nominal of 0¾% Index-linked Treasury Gilt 2034 has been priced at £102.316 per £100 nominal, equating to a gross real redemption yield of 0.640%. The offer was priced at a yield spread of 4½ basis points (bp)<sup>1</sup> above 1¼% Index-linked Treasury Gilt 2032, which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £4.1 billion.

The offer will settle, and the new tranche of the gilt will be issued, on 27 July 2011. Following today's transaction 0¾% Index-linked Treasury Gilt 2034 will have £7.50 billion (nominal) in issue (£7.59 billion index-adjusted). The domestic investor base provided the main support for the issue, taking around 96% of the allocation. There was strong direct interest from index-tracking end investors, primarily fund managers, pension funds and insurance companies, given that this syndication was timed to coincide with the index extension caused by 2½% Index-linked Treasury Stock 2016 falling out of the over 5-year index-linked gilt index today. This transaction was the third in the 2011-12 programme of syndicated gilt offerings, which is planned to raise £31.6 billion (£18.1 billion via sales of index-linked gilts and £13.5 billion via sales of long-dated conventional gilts). Syndication proceeds in the financial year to-date are £12.4 billion.

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

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<sup>1</sup> 0.045%

*"I am pleased to see our latest syndicated offer be executed so successfully. Today's offer was significant in that its timing and the choice of bond have been flagged further in advance than usual and have been designed in particular to facilitate the smooth management of the biggest indexation event for many years. With the 2016 maturity bond falling out of the over 5-year index-linked gilt index tonight, and the very significant extension to the duration of that index as a consequence, we felt it important to provide the market and in particular the trackers of that index with an appropriate investment opportunity to coincide with that event, I was gratified to see a positive response again from our core domestic investor base in today's sale, which has enabled us to build up the Index-linked 2034 maturity to £7.5 billion in issue after only two transactions and, moreover, to do so in a way that has secured value for money for the Exchequer.*

*The execution of today's deal proceeded smoothly against a global backdrop that remains challenging and volatile. The success of this deal reflects well on the index-linked gilt market and all its participants".*

## **NOTES TO EDITORS**

The syndicated offering was managed by four Joint Bookrunners: Citigroup Global markets Limited, HSBC Bank PLC, Nomura International plc and UBS Limited. 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 15 July 2011.

The order book managed by the Joint Bookrunners was opened at 9.00am on 26 July 2011 with indicative price guidance for investors at a spread of 4½ to 5¼ bps above the yield on 1¼% Index-linked Treasury Gilt 2032. The value of orders in the book passed £2.5 billion within 15 minutes. At 10.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £4.5 billion, that the price guidance was being tightened to 4½ to 4¾ bps above 1¼% Index-linked Treasury Gilt 2032, and that the book was expected to close at 11.00am. The book closed with bids totalling over £5.0 billion in 58 orders.

At 12.15pm the size of the deal was announced to be £4.0 billion (nominal). Proceeds from the transaction are expected to be approximately £4.1 billion and will take index-linked gilt sales for the financial year to-date to £14.6 billion. Total gilt sales for the financial year to-date are £63.0 billion (cash), relative to the remit target of £167.5 billion.

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