



Publisher: Bundesrepublik Deutschland Finanzagentur GmbH
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No. 2/15

Frankfurt am Main, June 3rd, 2015

Bund issues its first 30-year inflation-linked bond - scheduled auction cancelled

The Federal Government will issue an inflation-linked bond with a maturity of 30 years for the first time subject to favorable market conditions, as announced in the issuance calendar for the year 2015. For this purpose, the Finance Agency of the Federal Republic today mandated an international syndicate of banks under the lead management of Commerzbank, Crédit Agricole, Goldman Sachs, HSBC and Société Générale to carry out the placement. The envisaged auction of an inflation-linked Federal security on June 9th, will be cancelled.

With the introduction of the 30-year inflation-linked segment, the federal government offers the full maturity range of real-yield securities to investors for the first time and widely aligns this segment with its nominal capital market products.

The new bond will have an initial volume of € 2 billion up to € 2.5 billion at the most. It is intended to increase the bond with several taps to a total nominal value of greater than 10 billion €. Both the interest payments and the repayment amount of the 30-year inflation-linked federal bond will be adjusted in accordance with the change of the unrevised harmonized index of consumer prices in the euro zone (HICP), excluding tobacco. The redemption amount will be at least equal to the nominal value.

The Finance Agency will contribute to ensure the liquidity of the bond by appropriate activities in the secondary market. Basis for these activities will be a part of the issuance volume which will be retained by the Federal Government.

Since the Federal Government's entry into the inflation-linked securities market segment in 2006, the range of securities offered has been continually expanded.

There are currently six inflation-linked German Government securities in circulation: one five-year note and five 10-year bonds. The six outstanding securities have a total volume of € 71 billion. This accounts for around 6 % of all German Government securities currently in circulation at the end of 2014, up from 3 % at year-end 2010.

The Federal Republic of Germany announced a planned issuance volume of inflation-linked securities in an amount of € 10-14 bn in its outlook for 2015.