



United Kingdom
Debt Management
Office

Eastcheap Court
11 Philpot Lane
London
EC3M 8UD

T 020 7862 6500
F 020 7862 6509

www.dmo.gov.uk

20 October 2015

PRESS NOTICE

SYNDICATED LAUNCH OF £4.75 BILLION NOMINAL OF 2½% TREASURY GILT 2065: RESULT

The United Kingdom Debt Management Office (DMO) announces that the syndicated launch of £4.75 billion nominal of 2½% Treasury Gilt 2065 has been priced at £98.403 per £100 nominal, equating to a gross redemption yield of 2.557%. The offer will settle, and the first tranche of this gilt will be issued, on 21 October 2015. Proceeds from today's transaction are expected to be approximately £4.7 billion and take syndication sales in the financial year to-date to £17.8 billion.

The offer was priced at a yield spread of 1.5 basis points (bps)¹ above the yield on 3½% Treasury Gilt 2068, which was at the tight end of the published price guidance. The UK domestic market provided the predominant support for the issue, taking around 95% of the allocation.

This was the fourth transaction of the DMO's 2015-16 syndication programme, which was planned to raise a minimum of £25.0 billion (£15.7 billion of index-linked gilts and £9.3 billion of long conventional gilts). It was the second and final long conventional syndication in the 2015-16 programme.

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

I am pleased that we have been able today to launch a new 50-year ultra-long conventional benchmark successfully. The bond provides our core investor base with a useful new maturity point between existing bonds. Moreover, due to its low coupon and the terms on which we can borrow, the new bond will be the longest duration bond in our conventional gilt portfolio, giving our core investors greater flexibility for liability matching purposes. Through the syndication a relatively high level of risk asset was on offer today and once again the gilt market reacted positively and was able to accommodate our operation smoothly. The book building at today's syndication was very strong, with almost £22 billion of orders received within an hour's book

¹ 0.015%.

building, and was larger than previous books. With this in mind we decided - in line with provisions in our remit - to increase the size of the long conventional syndication programme by moving £0.2 billion from the unallocated portion of the supplementary issuance programme.

I think that today's strong result shows the continuing underlying strength of the gilt market and appeal of the gilt product. International capital markets have clearly been volatile but, notwithstanding this, our market has continued to absorb our syndication programme smoothly and efficiently. I very much appreciate the support that our stakeholders have demonstrated both today and in the delivery of our financing remit more generally.

Syndication and gilt mini-tender programmes

Given the strength and quality of demand at this transaction, the DMO has decided to allocate £0.2 billion (cash) of the unallocated supplementary issuance programme to the long conventional gilt syndication programme in 2015-16 (increasing the size of that programme to £9.5 billion and the minimum size of the overall syndication programme to £25.2 billion (cash)). The size of the remaining unallocated supplementary programme has accordingly been reduced to £2.0 billion (cash).

NOTES TO EDITORS

The syndicated offer was managed by four Joint Bookrunners: BofA Merrill Lynch, J.P. Morgan, RBS and Santander GBM. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 14 October 2015.

The order book managed by the Joint Bookrunners was opened at 9.00am on 20 October 2015 with indicative price guidance for investors at a spread of 1.5bps to 2.5bps above the yield on 3½% Treasury Gilt 2068. The value of orders in the book reached £11 billion in 10 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £15 billion, and that the book would close at 10.00am. At 9.45am the Joint Bookrunners announced that orders were in excess of £16.5 billion and that price guidance was being fixed at 1.5bps over the reference gilt.

The book closed with 96 orders totaling £21.9 billion². At 10.36am the Joint Bookrunners announced that the size of the deal had been set at £4.75 billion (nominal). The price was set at 1.15pm.

Proceeds from the transaction are expected to be approximately £4.7 billion (cash) and will take long conventional gilt sales for the financial year to-date to £26.5 billion. Total gilt sales for the financial year are now £76.8 billion (cash), relative to the remit target of £127.4 billion.

Two syndications, both of index-linked gilts, remain to be held in the 2015-16 programme. The next transaction is planned to be held in the second half of November or the first week of December 2015, subject to market conditions.

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

² The previous largest order book was £16.5 billion at the sale of 3½% Treasury Gilt 2045 in June 2014.