



22 October 2013

PRESS NOTICE

RE-OPENING BY SYNDICATED OFFERING OF £4.5 BILLION NOMINAL OF 3½% TREASURY GILT 2068: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the re-opening by syndicated offering of £4.5 billion nominal of 3½% Treasury Gilt 2068 has been priced at £98.672 per £100 nominal, equating to a gross redemption yield of 3.555%. The offer will settle, and the second tranche of this gilt will be issued, on 23 October 2013, following which the gilt will have £9.5 billion (nominal) in issue. Proceeds from today’s transaction are expected to be approximately £4.4 billion.

The offer was priced at a yield spread of 2.5 basis points (bps)¹ above the yield on 4% Treasury Gilt 2060, which was at the tight end of the published price guidance. The UK domestic market again provided the main support for the issue, taking around 94% of the allocation.

This was the fourth transaction of the 2013-14 syndication programme and completes the long conventional sales programme via syndication. Overall proceeds from the four transactions held to-date are approximately £18.4 billion. A final syndicated offering in 2013-14, for an index-linked gilt, is anticipated for the final quarter of the financial year.

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

“I am very pleased with today’s successful first re-opening of our 55 year benchmark conventional gilt - which now has £9.5 billion in issue - as we build up this new sector of the curve. It is a testament to the efficiency of the gilt market that this major duration event was executed so smoothly on a day of significant data releases.

Once again very strong support was mobilised from our core investor base. Indeed, such was the size and quality of demand today that we decided to increase the size of the deal by £750 million (nominal) relative to our original planning assumption for long conventional sales by syndication.

¹ 0.025%.

This is in line with our remit provisions which allow a degree of flexibility on syndication sizing to take account of demand conditions on the day.

I greatly appreciate the degree of support which our gilt market stakeholders have again shown for our syndication programme. Today's sale has concluded the long conventional part of this year's programme on a very positive note and I look forward to a similar conclusion to the index-linked part of the programme in the final quarter of the financial year. More widely, of course, this support is also crucial to the successful delivery of our overall financing remit".

Syndication and gilt mini-tender programmes

Following today's syndicated offering, planned conventional gilt sales via syndication have been increased by £0.75 billion to £9.25 billion (and the total size of the syndication programme increased to £22.5 billion). The planning assumption for sales via mini-tenders is correspondingly being reduced by £0.75 billion to £8.5 billion. The DMO will shortly be seeking views on the identity of any gilt(s) to be sold via mini-tender(s) in the November-December period (and the timing of any such operation(s)).

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Credit Suisse, J.P. Morgan, RBS and Société Générale CIB. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 11 October 2013.

The order book managed by the Joint Bookrunners was opened at 8.30am on 22 October 2013 with indicative price guidance for investors at a spread of 2.5bps to 3.0bps above the yield on 4% Treasury Gilt 2060. The value of orders in the book passed £7 billion within 15 minutes. At 9.01 am the Joint Bookrunners announced that the value of orders in the book was £9 billion and that price guidance was being tightened to 2.5bps above the reference bond. At 9.20am the Joint Bookrunners announced that the book was at £12 billion and would close at short notice. At 9.30am the Joint Bookrunners announced that the book would close at 9.35am. The book closed with 96 orders totalling £12.5 billion.

At 10.05am the Joint Bookrunners announced that the size of the deal was £4.5 billion (nominal). The price was set at 11.42am. Proceeds from the transaction are expected to be approximately £4.4 billion (cash) and will take long conventional gilt sales for the financial year to-date to £24.9 billion. Total gilt sales for the financial year are now £96.4 billion (cash), relative to the remit target of £155.7 billion.

A final syndicated gilt offering in 2013-14, of an index-linked gilt, is anticipated for the fourth quarter of the financial year (approximately a further £4 billion needs to be raised to meet the index-linked syndication sales target). The DMO will be consulting the market about the bond to be sold and timing of the sale at the quarterly consultation meetings on 9 December 2013.

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