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28 October 2014

PRESS NOTICE

SYNDICATED RE-OPENING OF £4.0 BILLION NOMINAL OF 3½% TREASURY GILT 2068: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the syndicated re-opening of £4.0 billion nominal of 3½% Treasury Gilt 2068 has been priced at £114.30 per £100 nominal, equating to a gross redemption yield of 2.966%. The offer will settle, and the third tranche of this gilt will be issued, on 29 October 2014, taking the nominal amount of 3½% Treasury Gilt 2068 in issue to £13.6 billion. Proceeds from today’s transaction are expected to be approximately £4.6 billion and take syndication sales in the financial year to-date to £15.0 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 provided the predominant support for the issue, taking around 96% of the allocation.

This was the third transaction of the DMO’s 2014-15 syndication programme, which was planned to raise £18.0 billion (£9.0 billion each of long conventional gilts and index-linked gilts). One further syndicated sale of an index-linked gilt is planned for the final quarter of the financial year.

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

“I believe that today’s transaction was a good one for the taxpayer. It was also historic in as much as the United Kingdom has been able to borrow for almost 55 years at a nominal yield of below 3%.

We have witnessed today another very impressive demonstration of the strength and depth of the gilt market and the commitment of our core investor base. We have successfully sold £4.0 billion nominal of our ultra-long conventional benchmark, and the amount of duration the market has taken down so smoothly today should not be underestimated, particularly given recent volatility in

¹ 0.025%.

capital markets. Indeed, so strong was investor interest at these low yields that we again used the flexibility in our remit to take account of the size and strength of market demand to increase the size of the deal from the £3.5 billion nominal necessary to hit our long conventional syndication target to £4.0 billion.

I am very pleased with the degree of support that gilt market participants have shown for our syndication programme today. We will continue to work with the market to seek to ensure this continues across our entire gilt sales programme.

Syndication and gilt mini-tender programmes

Following today's syndicated offering planned long conventional gilt sales via syndication have been increased by £0.5 billion to £9.5 billion (and the total size of the syndication programme increased to £18.5 billion in the current financial year). The planning assumption for sales via mini-tenders is correspondingly being reduced by £0.5 billion to £3.5 billion.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: BofA Merrill Lynch, HSBC, 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 17 October 2014.

The order book managed by the Joint Bookrunners was opened at 8.30am on 28 October 2014 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 £5 billion within 10 minutes. At 9.00am the Joint Bookrunners announced that the value of orders in the book was in excess of £10 billion, that the price guidance had been tightened to a final spread of 2.5bps over the reference gilt and that the book would close at 9.30am. The book closed with 81 orders totalling £14.3 billion. At 10.00am the Joint Bookrunners announced that the size of the deal had been set at £4.0 billion (nominal). The price was set at 11.58am.

Proceeds from the transaction are expected to be approximately £4.6 billion (cash) and will take long conventional gilt sales for the financial year to-date to £25.0 billion.

Total gilt sales for the financial year are now £82.7 billion (cash), relative to the remit target of £127.2 billion.

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