



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

1 December 2015

PRESS NOTICE

SYNDICATED RE-OPENING OF £3.25 BILLION NOMINAL OF 0¼% INDEX-LINKED TREASURY GILT 2046: RESULT

The United Kingdom Debt Management Office (DMO) announces that the syndicated re-opening of £3.25 billion nominal of 0¼% Index-linked Treasury Gilt 2046 has been priced at £129.738 per £100 nominal, equating to a real gross redemption yield of -0.7475%. The offer will settle, and the second tranche of this gilt will be issued, on 2 December 2015, taking the nominal amount of 0¼% Index-linked Treasury Gilt 2046 in issue to £6.5 billion. Proceeds from today's transaction are expected to be approximately £4.2 billion and take overall syndication sales in the financial year to-date to £22.1 billion.

The offer was priced at a yield spread of 1.25 basis points (bps)¹ above the real yield on 0¼% Index-linked Treasury Gilt 2044, which was at the tight end of the published price guidance. The UK domestic market provided the predominant support for the issue, taking around 92% of the allocation.

This was the fifth transaction of the DMO's 2015-16 syndication programme, which was planned to raise a minimum of £25.2 billion (£15.7 billion of index-linked gilts and £9.5 billion of long conventional gilts). A sixth and final syndication in the current programme (of an index-linked gilt) is planned for the period January-March 2016.

Commenting on the result, Jo Whelan, the Deputy Chief Executive of the DMO said:

Once again, we have seen today encouragingly strong support from our core domestic investor base for our index-linked syndication programme. With today's transaction we have successfully doubled the nominal size of this thirty year index-linked gilt to £6.5 billion. The bookbuilding process was quick and very smoothly delivered and we saw a pleasing level of participation from a wide variety of investor types.

¹ 0.0125%.

Given the high quality of demand today, we decided again to use the flexibility available to us in our financing remit to increase the size of the transaction by transferring £500 million (cash) from the unallocated portion of our supplementary issuance programme to the index-linked syndication programme.

As ever, the support we have seen today from the gilt investor base is much appreciated. The DMO looks forward to continuing to work with all market participants to ensure the effective delivery of our financing remit this year and in the future.

Syndication and the unallocated supplementary issuance programme

The DMO has decided to allocate £0.5 billion (cash) of the unallocated supplementary issuance programme to the index-linked gilt syndication programme in 2015-16 (increasing the size of that programme to £16.2 billion and the minimum size of the overall syndication programme to £25.7 billion). The size of the remaining unallocated supplementary programme has accordingly been reduced to £1.5 billion².

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: HSBC, Morgan Stanley, Scotiabank and UBS Investment Bank. 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 20 November 2015.

The order book managed by the Joint Bookrunners was opened at 9.00am on 1 December 2015 with indicative price guidance for investors at a spread of 1.25bps to 1.75bps above the real yield on 0½% Index-linked Treasury Gilt 2044. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £10.5 billion, and that the book was expected to close at around 10.00am. At 9.45am the Joint Bookrunners announced that orders were in excess of £11.4 billion, that price guidance was being fixed at 1.25bps above the real yield on the reference gilt and that the book would close at 10.00am.

The book closed with 72 orders totaling £13.0 billion. At 10.22am the Joint Bookrunners announced that the size of the deal had been set at £3.25 billion (nominal). The price was set at 12.20pm.

Proceeds from the transaction are expected to be approximately £4.2 billion (cash) and will take index-linked gilt sales for the financial year to date to £22.4 billion. Total gilt sales for the financial year are now £90.8 billion (cash), relative to the remit target of £127.4 billion. 0½% Index-linked Treasury Gilt 2046 was launched via syndication in June 2015.

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

² The initial size of the unallocated portion of the supplementary issuance programme was £4.0 billion (cash). £1.0 billion was allocated to the gilt mini-tender of 4¼% 2055 in June 2015, and a further £1.0 billion was previously added to the syndication programme (reflecting that three of the transactions were upsized).