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PRESS NOTICE

LAUNCH BY SYNDICATED OFFERING OF £5.0 BILLION NOMINAL OF 0 $\frac{1}{8}$ % INDEX-LINKED TREASURY GILT 2068: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the launch by syndicated offering of £5.0 billion nominal of 0 $\frac{1}{8}$ % Index-linked Treasury Gilt 2068 has been priced at £99.370 per £100 nominal, equating to a gross real redemption yield of 0.137%. The offer will settle, and the first tranche of this gilt will be issued, on 25 September 2013. Proceeds from today’s transaction are expected to be approximately £4.96 billion.

The offer was priced at a yield spread of 1 basis point (bp)¹ below the yield on 0 $\frac{3}{8}$ % Index-linked Treasury Gilt 2062, 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 96% of the allocation.

This was the third transaction of the 2013-14 syndication programme. Proceeds from the programme to-date are approximately £13.9 billion.

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

“Today has been an important day in the gilt market with the very successful launch of the UK’s longest-dated index-linked gilt and the supply of an unprecedented amount of duration in another smoothly executed transaction.”

The market reaction to the deal was hugely supportive. We received 122 orders, the highest number since the first sale in our syndication programme in June 2009 and the quality of that demand, from our core domestic investor base, was very high indeed. Reflecting the size and quality of the orders we decided to size the deal at £5.0 billion (nominal), using the flexibility built into our remit to size syndications according to demand conditions.

¹ 0.01%.

The positive market response to the supply of this new super-long index-linked gilt reinforces my appreciation of the depth and efficiency of the gilt market. The detailed feedback we received from investors in advance of today's issue has been critical in ensuring that our decisions reflected the needs of the taxpayer and the wider market. I remain grateful for the degree of support we receive from market participants in the delivery of our syndication programme, as seen again today, and crucially for our financing remit more generally."

Syndication and gilt mini-tender programmes

Following today's syndicated offering, planned index-linked gilt sales via syndication are being increased by £0.75 billion to £13.25 billion (and the total size of the syndication programme increased to £21.75 billion). The planning assumption for sales via mini-tenders is correspondingly being reduced by £0.75 billion to £9.25 billion. The DMO will in due course be seeking views on the identity of any gilt(s) to be sold via mini-tender in the October-December period (and the timing of any such operation(s)).

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Barclays, Deutsche Bank, HSBC and Morgan Stanley. 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 13 September 2013.

The order book managed by the Joint Bookrunners was opened at 9.00am on 24 September 2013 with indicative price guidance for investors at a spread of -1bp to +1bp relative to the yield on 0¾% Index-linked Treasury Gilt 2062. The value of orders in the book reached £5 billion within 15 minutes. At 9.28am the Joint Bookrunners announced that the value of orders in the book totalled £7 billion, that price guidance was unchanged and that the book may close at short notice. At 9.53am the Joint Bookrunners announced that the price guidance had been finalised at a spread of 1bp below the reference bond, and that the book would close at 10.00am. The book closed with 122 orders totalling £10.8 billion.

At 10.54am the Joint Bookrunners announced that the size of the deal was £5.0 billion (nominal). The price was set at 1.19pm. Proceeds from the transaction are expected to be approximately £5.0 billion (cash) and will take index-linked gilt sales for the financial year to-date to £23.5 billion. Total gilt sales for the financial year are now £80.7 billion (cash), relative to the remit target of £155.7 billion.

The next syndicated gilt offering, a re-opening of 3½% Treasury Gilt 2068, is scheduled to take place in the second half of October, subject to market conditions. Further details of this transaction will be announced closer to the time of the operation.

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