



26 April 2016

## PRESS NOTICE

### **SYNDICATED RE-OPENING OF £4.75 BILLION NOMINAL OF 2½% TREASURY GILT 2065: RESULT**

The United Kingdom Debt Management Office (DMO) announces that the syndicated re-opening of £4.75 billion nominal of 2½% Treasury Gilt 2065 has been priced at £106.164 per £100 nominal, equating to a gross redemption yield of 2.2905%. The transaction will settle, and the second tranche of this gilt will be issued, on 27 April 2016, at which date the gilt will have £9.5 billion (nominal) in issue. Proceeds from today's transaction are expected to be approximately £5.0 billion (cash<sup>1</sup>).

The offering was priced at a yield spread of 0.25 basis points (bps)<sup>2</sup> above the yield on 3½% Treasury Gilt 2068, which represented 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 first transaction of the DMO's 2016-17 syndication programme, which is planned to raise a minimum of £25.5 billion (£16.0 billion of index-linked gilts in four transactions and £9.5 billion of long conventional gilts in two transactions).

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

*I am pleased to mark the launch of our 2016-17 syndication programme with this very successful re-opening of our 50-year ultra-long conventional benchmark.*

*The market's response to the sale was strong, with a rapid book building process that saw over £21 billion of orders received - the second highest at any UK syndicated offer - in one hour. As a result we have doubled the nominal size outstanding of the gilt to £9.5 billion.*

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<sup>1</sup> Figures in this Press Notice are in cash terms unless indicated otherwise.

<sup>2</sup> 0.0025% = 0.25bps.

*The strong participation today reflects the importance of this issuance event for our domestic investor base. There remains significant interest in acquiring ultra-long gilts in the context of ongoing demand from the pensions industry to hedge liabilities; and we saw a similar pattern today to the strong domestic demand at the initial launch of this bond last October.*

*Today's result also illustrates the continuing underlying strength of the gilt market and outright demand for gilts. While international capital markets have been somewhat volatile in the recent past, our syndicated offering was absorbed smoothly and efficiently by the gilt market.*

*Once again I would like to record our appreciation of the support that our programme enjoys from our market stakeholders.*

### **The syndication programme and the unallocated supplementary amount**

There is no change to the minimum size of the long conventional syndication programme following this transaction, which remains at £9.5 billion. There is also no change to the size of the unallocated supplementary amount, which remains at £8.0 billion.

### **NOTES TO EDITORS**

The syndicated offer was managed by four Joint Bookrunners: Citigroup Global Markets, Deutsche Bank, HSBC and J.P. Morgan. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 15 April 2016.

The order book managed by the Joint Bookrunners was opened at 9.00am on 26 April 2016 with indicative price guidance for investors at a spread of 0.25bps to 0.50bps above the yield on 3½% Treasury Gilt 2068. 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 was expected to close at 10.00am. At 9.45am the Joint Bookrunners announced that orders were in excess of £19 billion, that price guidance was being fixed at 0.25bps over the reference gilt and that the book would close at 10.00am.

The book closed with 80 orders totaling £21.3 billion. At 10.45am the Joint Bookrunners announced that the size of the transaction had been set at £4.75 billion (nominal). The price was set at 12.40pm.

Proceeds from the transaction are expected to be approximately £5.0 billion and will take long conventional gilt sales for the financial year to-date to £7.5 billion. Total gilt sales for the financial year are now £15.3 billion, relative to the remit target of £131.5 billion.

The next syndicated offering, of an index-linked gilt with a maturity in the 30-year area, is planned to be held in the second half of May 2016, subject to market conditions.

This press notice will be appearing on the DMO's website at: [www.dmo.gov.uk](http://www.dmo.gov.uk)