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PRESS NOTICE

SYNDICATED RE-OPENING OF £2.50 BILLION NOMINAL OF 0½% INDEX-LINKED TREASURY GILT 2068: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the syndicated re-opening of £2.50 billion nominal of 0½% Index-linked Treasury Gilt 2068 has been priced at £166.002 per £100 nominal, equating to a real gross redemption yield of -0.8655%. The offer will settle, and the third tranche of this gilt will be issued, on 23 September 2015, taking the nominal amount of 0½% Index-linked Treasury Gilt 2068 in issue to £12.25 billion. Proceeds from today’s transaction are expected to be approximately £4.3 billion and take overall syndication sales in the financial year to-date to £13.2 billion.

The offer was priced at a yield spread of 1.75 basis points (bps)¹ below the real yield on 0¾% Index-linked Treasury Gilt 2062, which was at the tight end of the published price guidance. The UK domestic market provided the predominant support for the issue, taking around 94% of the allocation.

This was the third transaction of the DMO’s 2015-16 syndication programme, which was planned to raise a minimum of £24.5 billion (£15.2 billion of index-linked gilts and £9.3 billion of long conventional gilts).

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

I was pleased to see the strong welcome we received today from our core domestic investor base, which has allowed us successfully to increase the size of our ultra-long index-linked benchmark to over £12 billion. The bookbuilding process was quickly and smoothly delivered. I think that this reflects well on the gilt market, and its participants, particularly given the very large amount of duration and risk involved.

¹ 0.0175%.

Indeed, such was the scale and quality of demand we saw today that we decided once again to use the flexibility available to us in the remit to increase the size of the transaction above that initially envisaged, by using £500 million of the unallocated portion of our supplementary issuance program to increase the size of the index-linked syndication programme.

The support we have seen today from our core investors is very much appreciated. The DMO will continue to work closely with all those in the market to help ensure that we can continue to deliver our financing remits this year and in the future.

Syndication and gilt mini-tender programmes

Given the strength and quality of demand at this transaction, 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 £15.7 billion and the minimum size of the overall syndication programme to £25.0 billion). The size of the remaining unallocated supplementary programme has accordingly been reduced to £2.2 billion².

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Barclays, Deutsche Bank, Goldman Sachs International and Nomura. 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 11 September 2015.

The order book managed by the Joint Bookrunners was opened at 9.00am on 22 September 2015 with indicative price guidance for investors at a spread of 1.75bps to 1.25bps below the real yield on 0½% Index-linked Treasury Gilt 2062. The value of orders in the book reached £3 billion in 10 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £6 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 £7 billion, that price guidance was being fixed at 1.75bps below the real yield on the reference gilt and that the book would close at 10.00am.

The book closed with 72 orders totaling £7.8 billion. At 10.44am the Joint Bookrunners announced that the size of the deal had been set at £2.50 billion (nominal). The price was set at 12.59pm.

Proceeds from the transaction are expected to be approximately £4.3 billion (cash) and will take index-linked gilt sales for the financial year to date to £15.3 billion. Total gilt sales for the financial year are now £64.0 billion (cash), relative to the remit target of £127.4 billion.

0½% Index-linked Treasury Gilt 2068 has previously been issued twice via syndicated offerings in September 2013 and in January 2014.

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 £0.3 billion was allocated to the index-linked syndication programme at the sale of 0½% Index-linked Treasury Gilt 2046 also in June 2015.