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PRESS NOTICE

RE-OPENING BY SYNDICATED OFFERING OF £4.75 BILLION NOMINAL OF 0 $\frac{1}{8}$ % INDEX-LINKED TREASURY GILT 2068: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the re-opening by syndicated offering of £4.75 billion nominal of 0 $\frac{1}{8}$ % Index-linked Treasury Gilt 2068 has been priced at £103.164 per £100 nominal, equating to a gross real redemption yield of 0.0655%. The offer will settle, and the second tranche of this gilt will be issued, on 30 January 2014, following which the Gilt will have £9.75 billion (nominal) in issue. Proceeds from today’s transaction are expected to be approximately £4.9 billion.

The offer was priced at a yield spread of 0.25 basis points (bps)¹ above 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 91% of the allocation.

This was the fifth and final transaction of the DMO’s 2013-14 syndication programme. Overall proceeds from the programme were £23.3 billion relative to final plans of £23.3 billion. Sales were split approximately £9.2 billion long conventional and £14.0 billion index-linked.

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

“Today has seen a very successful conclusion to our syndication programme in 2013-14. We have been able to build up the size of our 55-year benchmark index-linked gilt to £9.75 billion in issue in this second of two operations. I continue to be impressed by the capability and efficiency of the gilt market as demonstrated again today in absorbing such a substantial duration event so smoothly.

The Gilt proved to be very much in demand with our core investor base and had the largest order book (£12.5 billion) we have seen at any index-linked syndication to-date. Such was the size and

¹ 0.0025%.

quality of demand mobilised today that we decided to increase the size of the deal above the £4.0 billion planning assumption in our syndication programme. This was in line with our remit which provides for a degree of flexibility on syndication sizing to take account of demand conditions on the day.

I would like to re-emphasise my appreciation for the ongoing support that our gilt market stakeholders have again shown for our syndication programme today and for our gilt sales programme more generally throughout 2013-14. This support will continue to be crucial to us”.

Syndication and gilt mini-tender programmes

Following today's syndicated offering, planned index-linked gilt sales via syndication have been increased by £0.8 billion to £14.05 billion (and the total size of the syndication programme increased to £23.3 billion in the current financial year). The planning assumption for sales via mini-tenders is correspondingly being reduced by £0.8 billion to £5.7 billion.

The DMO will shortly be seeking views on the identity of any gilt(s) to be sold via mini-tender(s) in the February-March period (and the timing of any such operation(s)). Gilt sales via mini-tenders in the financial year to-date are £4.1 billion.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: BofA Merrill Lynch, HSBC, Nomura and Scotiabank. 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 17 January 2014.

The order book managed by the Joint Bookrunners was opened at 9.00am on 29 January 2014 with indicative price guidance for investors at a spread of 0.25bps to 0.75bps above the yield on 0% Index-linked Treasury Gilt 2062. The value of orders in the book passed £4 billion within 5 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £8 billion, that the price guidance had been tightened to 0.25bps above the reference bond and that the book would close at 10.00am. At 9.50am the Joint Bookrunners announced that the value of orders in the book was in excess of £11 billion. The book closed with 123 orders totalling £12.5 billion.

At 11.03am the Joint Bookrunners announced that the size of the deal had been set at £4.75 billion (nominal). The price was set at 1.05pm. Proceeds from the transaction are expected to be approximately £4.9 billion (cash) and will take index-linked gilt sales for the financial year to-date to £34.9 billion. Total gilt sales for the financial year are now £131.2 billion (cash), relative to the remit target of £153.7 billion.

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