



23 June 2015

PRESS NOTICE

SYNDICATED LAUNCH OF £3.25 BILLION NOMINAL OF 0¹/₈% INDEX-LINKED TREASURY GILT 2046: RESULT

The United Kingdom Debt Management Office (“DMO”) announces that the syndicated launch of £3.25 billion nominal of 0¹/₈% Index-linked Treasury Gilt 2046 has been priced at £123.840 per £100 nominal, equating to a gross real redemption yield of -0.582%. The offer will settle, and the first tranche of this gilt will be issued, on 24 June 2015.

This was the first transaction of the DMO’s 2015-16 syndication programme, which was planned to raise a minimum of £24.2 billion (split £14.9 billion Index-linked gilts and £9.3 billion long conventional gilts). Proceeds from today’s transaction are expected to be approximately £4.0 billion (cash).

The offer was priced at a yield spread of 0.5 basis points (bps)¹ above the yield on 0¹/₈% Index-linked Treasury Gilt 2044, which was at the tight end of the initial published price guidance. The UK domestic market provided the predominant support for the issue, taking around 94% of the allocation.

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

I’m delighted with today’s very strong start to our 2015-16 syndication programme. Against a global market backdrop which has clearly been very volatile and challenging, we have successfully launched a new long-dated Index-linked gilt, as part of our ongoing strategy to ensure robust liquid benchmark points along the real yield curve.

The underlying strength of structural demand from our core domestic investor base for Index-linked gilts has once again been amply demonstrated. Bookbuilding was rapid and resulted in £11.5 billion of high quality orders. In response to the size and quality of this demand we decided to use the flexibility in the remit to increase the size of the transaction by drawing down on the

¹ 0.005%.

unallocated portion of the supplementary issuance programme and moving £300 million into the Index-linked syndication programme.

I very much appreciate, but do not take for granted, the commitment that gilt market participants and those involved in the transaction have shown for our syndication programme today. The DMO will continue to work with all our stakeholders to aim to ensure that we can continue to enjoy this support across our entire gilt sales programme going forward”.

Syndication and the unallocated supplementary issuance programme

Given the strength and quality of demand at this transaction, the DMO decided to allocate £0.3 billion (cash) of an initially unallocated supplementary issuance programme to the Index-linked syndication programme. As a result, the size of the Index-linked syndication programme in 2015-16 has been increased to £15.2 billion. The size of the remaining unallocated supplementary issuance programme has accordingly been reduced to £2.7 billion (cash)².

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: BofA Merrill Lynch, BNP Paribas, 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 12 June 2015.

The order book managed by the Joint Bookrunners was opened at 9.00am on 23 June 2015 with indicative price guidance for investors at a spread of 0.5 bps to 1.5 bps above the yield on the reference gilt 0½% Index-linked Treasury Gilt 2044. The value of orders in the book reached £4 billion within 10 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £8 billion and that the book was expected to close at approximately 10.00am. At 9.45am the Joint Bookrunners announced that the value of orders in the book was approaching £10 billion, that the price guidance had been fixed at 0.5bps over the reference gilt and that the book would close at 10.00am.

The final book comprised 69 orders totalling £11.5 billion. At 10.20am the Joint Bookrunners announced that the size of the deal had been set at £3.25 billion (nominal). The price was set at 12.49pm.

Proceeds from the transaction are expected to be approximately £4.0 billion (cash) and will take Index-linked gilt sales for the financial year to-date to £8.4 billion. Total gilt sales for the financial year to-date are £31.2 billion (cash), relative to the annual remit target of £130.9 billion.

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 previously allocated to the gilt mini-tender of 4¼% 2055 held on 4 June 2015.