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PRESS NOTICE

SYNDICATED RE-OPENING OF £2.75 BILLION NOMINAL OF 0¹/₈% INDEX-LINKED TREASURY GILT 2048: RESULT

The United Kingdom Debt Management Office (DMO) announces that the syndicated re-opening of £2.75 billion (nominal) of 0¹/₈% Index-linked Treasury Gilt 2048 has been priced at £161.931 per £100 nominal, equating to a gross real redemption yield of -1.475%. The transaction will settle, and the second tranche of this gilt will be issued, on 7 February 2018, at which point the gilt will have £5.75 billion (nominal) in issue.

Proceeds from today's transaction are expected to amount to approximately £4.5 billion (cash¹). This was the fifth and final transaction of the DMO's 2017-18 syndication programme, which has raised £24.3 billion (£10.4 billion of long conventional gilts in two transactions and £14.0 billion of index-linked gilts in three transactions).

The offering was priced at a yield spread of 0.8 basis points (bps) above the yield on 0³/₄% Index-linked Treasury Gilt 2047, which represented the tight end of the published price guidance. The UK domestic market provided the predominant support for the issue, taking around 85% of the allocation.

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

We have seen a very pleasing conclusion to our 2017-18 syndication programme today. The 30-year index-linked gilt, originally launched last November, has been successfully built up to £5.75 billion (nominal). This was a very smooth and well-executed transaction attracting high quality demand from our core domestic investor base.

I very much welcome the support and commitment we have seen today - and throughout 2017-18 as a whole - from market participants, which gives me confidence in the resilience and effectiveness of the gilt market.

¹ Figures in this Press Notice are in cash terms unless indicated otherwise.

I look forward to seeing this continue across the remainder of our gilt sales programme for the rest of this financial year, and throughout the new remit due to be announced at the Spring Statement 2018 in March.

The syndication programme and the unallocated issuance amount

Given the strength and quality of core demand at this transaction, the DMO was able to increase the size of the syndication from the initially planned amount. Accordingly the DMO has moved £583 million (cash) from the unallocated issuance amount to the index-linked syndication programme, in 2017-18 (increasing the size of that programme to £14.0 billion). The size of the remaining unallocated amount has accordingly been reduced to £429 million.

NOTES TO EDITORS

The syndicated offer was managed by four Joint Bookrunners: BofA Merrill Lynch, J.P. Morgan, Lloyds Bank and Santander GCB. 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 19 January 2018.

The order book for the transaction was opened at 9.00am on 6 February 2018 with indicative price guidance for investors at a spread of 0.8bps to 1.0bp above the yield on 0¾% Index-linked Treasury Gilt 2047. At 9.30am the Joint Bookrunners announced that the value of orders exceeded £11.5 billion, and that the book was expected to close at around 10.00am. At 9.45am the Joint Bookrunners announced that orders exceeded £13.75 billion, that price guidance was being fixed at a yield spread of 0.8bps above the reference gilt, and that the book was expected to close at 10.00am.

The book closed at 10.00am with 109 orders totalling £16.3 billion (nominal). At 10.27am the Joint Bookrunners announced that the size of the transaction had been set at £2.75 billion (nominal). The price was set at 12.47pm.

Proceeds from the transaction amount to approximately £4.5 billion and will take index-linked gilt sales for the financial year to-date to £25.8 billion. Total gilt sales for the financial year to date now amount to £102.6 billion, relative to the overall remit target of £115.1 billion.

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