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PRESS NOTICE

SYNDICATED LAUNCH OF £3.25 BILLION NOMINAL OF 0¹/₈% INDEX-LINKED TREASURY GILT 2041: 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 2041 has been priced at £148.973 per £100 nominal, equating to a gross real redemption yield of -1.617%. The transaction will settle, and the first tranche of this gilt will be issued, on 12 July 2018.

Proceeds from today's transaction are expected to amount to approximately £4.8 billion (cash¹). This was the second transaction of the DMO's 2018-19 syndication programme, which was planned to raise a minimum of £19.0 billion (£10.5 billion of long conventional gilts in two transactions and £8.5 billion of index-linked gilts in two transactions). Following today's operation syndication proceeds in 2018-19 will amount to £10.7 billion.

The offering was priced at a yield spread of 1.5 basis points (bps) above the real yield on 0⁵/₈% Index-linked Treasury Gilt 2040, 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.

The syndication programme and the unallocated issuance amount

Given the strength and quality of core demand at this transaction, the DMO has decided to increase the size of the syndication from the initially planned amount. Accordingly the DMO has moved £0.6 billion (cash) from the unallocated issuance amount to the index-linked gilt syndication programme.

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

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

Today has seen the highly successful launch of our new 2041 maturity index-linked gilt. Once again we saw a strong orderbook with a large number of individual orders, including high-quality demand from our core domestic investor base.

I am also pleased to welcome another well-managed transaction which was executed both smoothly and speedily, reflecting the experience of participants in the gilt market.

Such a result reinforces my belief in the strength and resilience in the gilt market and has demonstrated again the extent of the support and commitment we receive from gilt market participants which is very much appreciated. This support is very important to the DMO in enabling us to deliver the government's gilt financing programme. I look forward to it continuing across all our operations over the rest of the financial year.

NOTES TO EDITORS

The syndicated offer was managed by four Joint Bookrunners: Citigroup Global Markets, HSBC, Morgan Stanley and UBS Investment Bank. 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 29 June 2018.

The order book for the transaction was opened at 9.00am on 11 July 2018 with indicative price guidance for investors at a spread of 1.5bps to 2.0bps above the yield on 0⁵/₈% Index-linked Treasury Gilt 2040. At 9.30am the Joint Bookrunners announced that the value of orders exceeded £17 billion, and that the book was expected to close at 10.00am. At 9.45am the Joint Bookrunners announced that orders exceeded £19.5 billion, that price guidance was being fixed at a yield spread of 1.5bps above the reference gilt, and that the book would close at 10.00am.

The book closed at 10.00am with 132 orders totalling £20.6 billion (nominal). At 10.30am the Joint Bookrunners announced that the size of the transaction had been set at £3.25 billion (nominal). The price was set at 12.17pm.

Proceeds from the transaction amount to approximately £4.8 billion and will take index-linked gilt sales for the financial year to-date to £9.4 billion. Total gilt sales for the financial year to date now amount to £37.0 billion, relative to the overall remit target of £106.0 billion.

As a result of the transfer of £0.6 billion from the unallocated portion of issuance to the index-linked syndication programme announced today, the minimum size of that programme has been increased to £9.1 billion and the minimum size of the overall syndication programme to £19.6 billion. The size of the remaining unallocated amount has been reduced to £5.1 billion.

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