

28 June 2011

PRESS NOTICE

RESULT: RE-OPENING BY SYNDICATED OFFERING OF £5.0 BILLION OF 4% TREASURY GILT 2060

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £5.0 billion nominal of 4% Treasury Gilt 2060 has been priced at £96.926 per £100 nominal, equating to a gross redemption yield of 4.1475%. The offer was priced at a yield spread of 0.75 basis points (bps)¹ below 4¼% Treasury Gilt 2055 which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £4.8 billion.

The offer will settle, and the new tranche of the gilt will be issued, on 29 June 2011. The domestic investor base provided the main support for the issue, taking around 97% of the allocation. There was again strong direct interest from end investors, primarily fund managers, pension funds and insurance companies. This transaction was the second of the 2011-12 programme of syndicated gilt offerings, which is planned to raise £31.6 billion (£18.1 billion sales of index-linked gilts and £13.5 billion sales of long-dated conventional gilts). Proceeds from the syndication programme to-date in 2011-12 are £8.3 billion.

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

The strength and quality of demand for ultra-long dated gilts from our core investor base has once again been clearly demonstrated by today's successful re-opening of the 50-year benchmark, which has taken the amount in issue to £16.5 billion. This is another illustration of

¹ 0.0075%.

the importance of syndicated offerings in providing access to sought after gilts for investors in large size, while achieving fair value for the taxpayer.

The ability to build a robust orderbook in excess of £9 billion in the 50-year maturity gilt at a time of heightened global market volatility is a testament to the underlying strength of current investor demand for gilts. We took account of the very high quality of orders in the book in coming to our decision on the size of the deal. We have made it clear that we intend to implement the syndication programme via smaller and more regular operations than in 2010-11, and, with a cash proceeds target of £13.5 billion from three assumed conventional syndications, the starting assumption was an average size of £4.5 billion (cash) which would have equated to a deal size of around £4.75 billion (nominal). We took the decision to size today's transaction, at £5.0 billion (nominal), which raised £4.8 billion cash, a little above the average required deal size in recognition of the strength of support we received today from our core investors.

Once again I appreciate the commitment shown by all parties involved in today's transaction. I look forward to continued support for the syndication programme in 2011-12, as well as for our wider financing remit.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Barclays Capital, Deutsche Bank, Goldman Sachs International and RBC Capital Markets. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 16 June 2011.

The order book managed by the Joint Bookrunners was opened at 9.00am on 28 June 2011 with indicative price guidance for investors at a spread of flat to -0.75bps relative to the yield on 4¼% Treasury Gilt 2055. The value of orders in the book passed £3 billion within 5 minutes. At 9.35am the Joint Bookrunners announced that the value of orders in the book was in excess of £7 billion, that price guidance was being confirmed at a spread of 0.75 basis points below the reference gilt (the tight end of the original range) and that the book would close by 10.00am. The book closed at 10.00am with bids totalling £9.55 billion in 72 orders.

At 11.40am the size of the deal was announced to be £5.0 billion (nominal) and the price was set at 12.40pm. Proceeds from the transaction are expected to be approximately £4.8 billion

and will take long-dated conventional gilt sales for the financial year to-date to £11.6 billion. Total gilt sales for the financial year are now £46.4 billion (cash), relative to the remit target of £167.5 billion. 4% Treasury Gilt 2060 will have £16.5 billion (nominal) in issue following settlement of the transaction.

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