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PRESS NOTICE

RESULT: SYNDICATED OFFERING OF £4.5 BILLION OF 0⅜% INDEX-LINKED TREASURY GILT 2062 AND CANCELLATION OF THE GILT MINI-TENDER IN THE WEEK COMMENCING 28 NOVEMBER 2011

The United Kingdom Debt Management Office ("DMO") announces that the launch by syndicated offering of £4.5 billion nominal of 0⅜% Index-linked Treasury Gilt 2062 has been priced at £94.869 per £100 nominal, equating to a gross real redemption yield of 0.490%. The offer was priced at a yield spread of 2 basis points (bps)[1] above 1¼% Index-linked Treasury Gilt 2055 which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £4.3 billion.

The offer will settle, and the first tranche of the gilt will be issued, on 26 October 2011. The domestic market provided the main support for the issue, taking around 99% of the allocation. This transaction was the fifth of the 2011-12 programme of syndicated gilt offerings, announced alongside Budget 2011 which was 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 £21.2 billion.

As a result of the larger than originally anticipated size of today's syndication, the DMO is also announcing today that the gilt mini-tender previously scheduled for the week commencing 28 November 2011 is being cancelled.

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

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[1] 0.02%.

Today's transaction has been a resounding success. The new gilt, which we believe to be the longest-dated sovereign inflation-linked bond in the world, has extended the UK real yield curve by almost seven years and represents the largest ever sale of duration to the gilt market. It is a testament to the strength of the gilt market and our investor base that we were able to build a very large book of high quality demand of £10 billion in 90 minutes and at a time of persisting global market volatility.

It was against the backdrop of the size and quality of demand we received that we took the decision to size the deal slightly larger than would have been implied by even-flow. As a consequence, and in line with the remit provisions which allow gilt mini-tenders to be cancelled or added to the gilt operations programme to manage variances in syndication proceeds, we are today announcing the cancellation of the gilt mini-tender previously scheduled for the week commencing 28 November.

The deal also represents good value for the taxpayer, with the real yield at the sale being the lowest at which the DMO has sold an ultra-long index-linked gilt via syndication.

Once again I would like to express my appreciation for the commitment shown by all those involved in today's transaction. I look forward to continued support for the remainder of 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: BNP Paribas, Deutsche Bank, Goldman Sachs International Bank and HSBC Bank plc. 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 14 October 2011.

The order book managed by the Joint Bookrunners was opened at 8.30am on 25 October 2011 with indicative price guidance for investors at a spread of 2bps to 4bps above the yield on 1¼% Index-linked Treasury Gilt 2055. The value of orders in the book reached £3.5 billion within 30 minutes. At 9.25am the Joint Bookrunners announced that the value of orders in the book was in excess of £6 billion, that the price guidance was being tightened to 2bps to 3bps above the reference gilt and that the book was expected to close at short notice. At 9.57am the Lead Managers announced that the book would close at 10:00am. The book closed with bids totalling £9.8 billion in 93 orders.

At 11.15am the size of the deal was announced to be £4.5 billion (nominal) and the yield spread fixed at 2 basis points over the reference bond. The price was set at 2.20pm. Proceeds from the transaction are expected to be approximately £4.3 billion and will take index-linked gilt sales for the financial year to-date to £23.8 billion. Total gilt sales for the financial year are now £104.5 billion (cash), relative to the remit target of £167.5 billion.

The expectations for the size of today's transaction were £3-4 billion (nominal), reflecting an even-flow index-linked gilt syndication size of £3.5 billion (cash). The DMO had indicated in its remit announcement of 23 March 2011 that it intended to implement the programme of syndicated offerings in 2011-12 more evenly across the year than in 2010-11 via smaller and more regular operations. The DMO remit also noted that evenflow issuance via syndication will not necessarily always occur because the outcome of each syndicated offering will depend on market and demand conditions at the time each transaction takes place. The remit announcement also announced that the primary method of accommodating variances in the syndication programme would be via changes to the mini-tender programme. Mini-tenders may be added to the operations programme either via the quarterly issuance announcement or with at least four week's notice, or they may be removed with at least one week's notice.

As a consequence of the cancellation of a gilt mini-tender, the planned sales target for index-linked gilt mini-tenders will be reduced by £0.5bn to £1.2 billion and there will be a corresponding increase in the planned sales target for index-linked gilt syndications to £18.6 billion.

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