

24 May 2011

PRESS NOTICE

RESULT: SALE BY SYNDICATED OFFERING OF £3.50 BILLION OF 0¾% INDEX-LINKED TREASURY GILT 2034

The United Kingdom Debt Management Office (“DMO”) announces that the sale by syndicated offering of £3.50 billion nominal of 0¾% Index-linked Treasury Gilt 2034 has been priced at £99.104 per £100 nominal, equating to a gross real redemption yield of 0.793%. The offer was priced at a yield spread of 1 basis point (bp)¹ above 1¼% Index-linked Treasury Gilt 2032 which was at the tight end of the published price guidance. Proceeds from today's transaction are expected to be approximately £3.46 billion.

The offer will settle, and the new gilt will be issued, on 25 May 2011. The domestic investor base provided the main support for the issue, taking around 94% of the allocation. There was again strong direct interest from end investors, primarily fund managers, pension funds and insurance companies. This transaction was the first 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).

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

Today's transaction represents a very strong start to the DMO's syndication programme for 2011-12. Once again, I was pleased to see significant direct interest from our core domestic investor base in the syndication process, which has facilitated the launch of this new issue in much larger size than would have been possible by auction, whilst of course achieving fair value for the taxpayer.

¹ 0.01%.

That said, we have taken the decision to size today's transaction somewhat lower than the average size of operations in last year's programme. This is consistent with our stated intention to implement the syndication programme more evenly across the year via smaller and more regular operations than we have done previously.

The execution of today's transaction is once again testament to the capacity of the gilt market and its participants and we were particularly pleased to be able to execute the transaction relatively quickly on the day. I appreciate the commitment shown by all parties involved in today's transaction and look forward to continued support through the syndication programme in 2011-12 as well as our wider remit.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: B of A Merrill Lynch, Credit Suisse, HSBC Bank PLC and RBS. 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 13 May 2011.

The order book managed by the Joint Bookrunners was opened at 9.00am on 24 May 2011 with indicative price guidance for investors at a spread of 1 to 2½ bps above the yield on 1¼% Index-linked Treasury Gilt 2032. The value of orders in the book passed £4 billion within 30 minutes. At 9.55am the Joint Bookrunners announced that the value of orders in the book was in excess of £5 billion, that price guidance was being confirmed at a spread of 1 basis point above the reference gilt (the tight end of the original range) and that the book would close at 10.15am. The book closed with bids totalling £6.4 billion in 64 orders.

At 11.50am the size of the deal was announced to be £3.50 billion (nominal). Proceeds from the transaction are expected to be approximately £3.46 billion and will take index-linked gilt sales for the financial year to-date to £7.41 billion. Total gilt sales for the financial year are £28.97 billion (cash), relative to the remit target of £167.5 billion.

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