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PRESS NOTICE

RESULT: RE-OPENING BY SYNDICATED OFFERING OF £3.75 BILLION OF 0⅜% INDEX-LINKED TREASURY GILT 2062 AND CANCELLATION OF THE GILT MINI-TENDER SCHEDULED FOR THE WEEK COMMENCING 26 MARCH 2012

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £3.75 billion nominal of 0⅜% Index-linked Treasury Gilt 2062 has been priced at £113.456 per £100 nominal, equating to a gross real redemption yield of 0.0995%. The offer was priced at a yield spread of 0.25 basis points (bps)[1] below the yield on 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 second tranche of this gilt will be issued, on 22 February 2012, after which 0⅜% Index-linked Treasury Gilt 2062 will have £8.25 billion nominal in issue. The UK domestic market provided the main support for the issue, taking around 96% of the allocation. This transaction was the eighth and final offering of the 2011-12 syndication programme, which has raised £34.4 billion relative to plans of £32.7 billion announced at the Autumn Statement 2011.

As a result of the larger than even-flow size of today's syndication, the DMO has announced the cancellation of the gilt mini-tender previously scheduled for the week commencing 26 March 2012.

[1] 0.0025%.

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

"Today's sale of our 50-year index-linked gilt represents a very successful conclusion to the DMO's syndication programme in 2011-12, which has raised £34.4 billion. Once again we have been very impressed with the market's capacity to mobilise a very large and high quality book of demand, of some £8.6 billion, after an hour. We do not underestimate the amount of risk for the market - as well as for us as issuer - represented by today's transaction. Given the ongoing challenging financial market backdrop, today's result provides an encouraging demonstration of the resilience of the gilt market and the underlying strength of investor demand for our inflation linked securities.

Indeed, for the second syndicated offer in succession, such was the size and quality of demand that we decided to increase the size of today's deal to £3.75 billion (nominal). This was some £500 million nominal more than would have been necessary to reach the planned index-linked gilt syndication sales target and took proceeds today to £4.3 billion. As a consequence of this, we have cancelled the remaining index-linked gilt mini-tender.

The deal also represents good value for the taxpayer, with the yield at the sale being the lowest at which the DMO has ever sold a 50-year index-linked gilt via syndication or auction. Despite a recent back up in real yields, today's sale was priced at a real yield of 9.95bps, almost 40 bps below the yield at the launch of the 2062 bond last October.

I am grateful for the commitment shown by all those involved in today's transaction and by all gilt market participants in the syndication programme throughout 2011-12, as well as the gilt financing programme more generally.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Deutsche Bank, Goldman Sachs International, RBS and UBS. 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 9 February 2012.

The order book managed by the Joint Bookrunners was opened at 9.00am on 21 February 2012 with indicative price guidance for investors at a spread of 0.25bps below to 0.75bps above the yield on 1¼% Index-linked Treasury Gilt 2055. The value of orders in the book passed £4 billion within 15 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £6 billion and that the book was expected to close at short notice. At 9.53am the Joint Bookrunners announced that orders were at £8 billion, that the price guidance was being tightened to a spread of 0.25bps below to flat relative to the reference bond and that the book would close at 10.00am. At 10.20am the Joint Bookrunners announced that the pricing spread had been set at 0.25bps below the yield on the reference bond. The book closed with 85 orders totalling £8.6 billion.

At 11.25am the size of the deal was announced to be £3.75 billion (nominal) and allocations were confirmed. The price was set at 12.20pm. 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 £36.6 billion. Total gilt sales for the financial year are now £167.2 billion (cash), relative to the remit target of £178.9 billion (cash).

The DMO's decision to cancel the mini-tender scheduled for the week commencing 26 March 2012 is consistent with the use of mini-tenders in the 2011-12 remit primarily to support the syndication programme by providing operational flexibility to accommodate any unanticipated variations in proceeds from the syndication programme. Going into the syndication a transaction size of £3.25 billion nominal would have been sufficient to reach the planned syndication sales target. By increasing the size of the transaction by £0.5 billion nominal, additional proceeds of some £0.57 billion (cash) were raised and the final mini-tender is no longer required.

The combined outturn for sales of index-linked gilts via syndications and mini-tenders is £20.2 billion (compared to the remit plan of £20.1 billion published at the Autumn Statement 2011).

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