

PRESS NOTICE

RESULT: SYNDICATED OFFERING OF 0½% INDEX-LINKED TREASURY GILT 2050

The United Kingdom Debt Management Office (“DMO”) announces that the syndicated offering of £5.0 billion nominal of 0½% Index-linked Treasury Gilt 2050 has been priced at £98.583 per £100 nominal, equating to a gross real redemption yield of 0.539%. The offer was priced at a yield spread of 4 basis points (bps) below 0¾% Index-linked Treasury Gilt 2047. The offer will settle, and the new gilt will be issued, on 25 September 2009.

The domestic investor base provided the main support for the issue, taking around 97% of the allocation. In terms of investor type, there was very strong direct interest, with 82% placed with end investors. Investors were primarily fund managers, pension funds and insurance companies, reflecting their structural demand for long-dated index-linked assets.

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

“This is the third syndication, and the second index linked one, in our annual programme. Once again, through this issuance technique we have been able to facilitate large scale issuance of the type of gilt (long-dated index-linked) particularly sought after by the UK pension and insurance sectors. The book showed very strong and high quality demand today and we were pleased to be able to respond to that by issuing £5 billion. The deal represents the successful absorption by the market of a record amount of risk (equivalent to around eight times that of standard long-dated index linked gilt auctions) and establishes a new liquid bond in the ultra-long sector. We believe the pricing achieved on this deal represents good value for the taxpayer and incorporates the value to investors of such a large liquidity event.”

NOTES TO EDITORS

The Syndicated Offering was managed by four Joint Bookrunners: Deutsche Bank, Goldman Sachs International, HSBC Bank plc and UBS Investment Bank. All other Gilt-edged market makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 15 September 2009.

The order book managed by the Joint Bookrunners was opened at 9am on 24 September 2009 with indicative price guidance for investors at a spread of 1bp to 4bps below the yield on 0¾% Index-linked Treasury Gilt 2047. The value of orders in the book reached £7.0 billion after 1 hour. Revised pricing guidance of a spread of 4bps below the yield on 0¾% Index-linked Treasury Gilt 2047 was published at 11.00am and the closure of the book at 11.15am was announced. The book closed with bids of £9.2 billion with 63 orders. Given the quality and strength of the orders in the book, it was decided to size the offer at £5.0 billion. The offer was subsequently priced at a yield spread of 4 bps below the yield on 0¾% Index-linked Treasury Gilt 2047, i.e. at the tight end of the spread range.

Gross proceeds from the transaction are expected to be approximately £4.92 billion and will take index-linked gilt sales for the financial year to £18.45 billion. Total gross gilt sales for the financial year to-date are £118.05 billion, relative to the remit target of £220.0 billion. A total of £16.37 billion has now been raised from the three syndicated offers held to date, as part of a planned £25.0 billion programme. The next syndicated offer, of a conventional gilt with a maturity in the 50-year area, is scheduled for mid-late October 2009.

The new gilt will pay a short first dividend on 22 March 2010. The reference RPI for the issue date of the new gilt is 213.40000.

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