

PRESS NOTICE

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

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £4.0 billion nominal of 0½% Index-linked Treasury Gilt 2050 has been priced at £91.146 per £100 nominal, equating to a gross real redemption yield of 0.758%. The offer was priced at a yield spread of 1 basis point (bp)¹ above 0¾% Index-linked Treasury Gilt 2047 which was at the tight end of the published price guidance. Gross proceeds from today's transaction are expected to be approximately £3.8 billion.

The offer will settle, and the further tranche of the gilt be issued, on 27 May 2010, following which the size of 0½% Index-linked Treasury Gilt 2050 will be £9.0 billion (nominal). The domestic investor base provided the main support for the issue, taking around 96% 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 2010-11 programme of syndicated gilt offerings, which is planned to raise £29.2 billion.

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

Today's successful transaction represents an encouraging start to the DMO's syndication programme for 2010-11 and I was particularly pleased to see, once again, strong direct interest from our core domestic investor base. For the second time we have used the syndication process for a re-opening of an existing gilt, which has enabled us to build up the UK's 40-year index-linked benchmark issue to £9.0 billion in size after only two transactions. In

¹ 0.01%.

contrast, after two auctions we would have expected the bond to have been nearer £2.0 billion in size. This is a graphic illustration of one of the key benefits of the use of syndications in providing direct access, in large size, to long-dated gilts to end-investors (including the UK pension and insurance sectors), whilst of course achieving fair value for the taxpayer.

The smooth execution of today's transaction is also testament to the resilience of the gilt market and its participants in the current volatile market environment. I appreciate the commitment shown by all parties involved in today's transaction. We want to build on the momentum established today successfully to deliver our programme of syndicated offerings for the current financial year."

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Goldman Sachs International, HSBC Bank plc, JP Morgan Securities Limited and UBS Investment Bank. 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 May 2010.

The order book managed by the Joint Bookrunners was opened at 9.15am on 26 May 2010 with indicative price guidance for investors at a spread of +1 to +3 bps above the yield on 0¾% Index-linked Treasury Gilt 2047. The value of orders in the book passed £3.0 billion after 30 minutes. By 10.30 am the value of orders in the book had reached £4.0 billion, and the Joint Bookrunners subsequently announced that the price guidance was being revised to a spread of +1bp above the yield on the reference gilt and that the book would close no later than 11.30am. The book closed at 11.30am with bids totalling £4.9 billion in 42 orders. At 1.00pm the size of the deal was announced to be £4.0 billion, to be priced at 1bp above the yield on 0¾% Index-linked Treasury Gilt 2047 (the tight end of the original price range).

Gross proceeds from the transaction are expected to be approximately £3.8 billion and will take index-linked gilt sales for the financial year to-date to £8.0 billion. Total gross gilt sales for the financial year to-date are £31.7 billion, relative to the remit target of £185.2 billion. A planning assumption of sales from syndications of £29.2 billion was announced in Budget 2010 (as part of a supplementary gilt sales programme of approximately £39.2 billion, comprising syndicated offers and mini-tenders).

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

