

PRESS NOTICE

RESULT: RE-OPENING BY SYNDICATED OFFERING OF 4¼% TREASURY GILT 2040

The United Kingdom Debt Management Office ("DMO") announces that the re-opening by syndicated offering of £5.0 billion nominal of 4¼% Treasury Gilt 2040 has been priced at £100.167 per £100 nominal, equating to a gross redemption yield of 4.240%. The offer was priced at a yield spread of 2.5 basis points (bps)¹ above 4¼% Treasury Gilt 2039 towards the tight end of the original price guidance. Proceeds from today's transaction are expected to be approximately £5.0 billion. Total sales from syndicated offerings in 2010-11 are now £22.3 billion, relative to a planning assumption of £26.0 billion.

The offer will settle, and the further tranche of the gilt will be issued, on 28 October 2010, following which the size of 4¼% Treasury Gilt 2040 will be £13.0 billion (nominal). 4¼% Treasury Gilt 2040 will become strippable from the coupon date of 7 December 2010.

The domestic investor base provided the main support for the issue, with UK-based accounts taking around 90% of the allocation. There was again strong direct interest from end investors, primarily fund managers, pension funds and insurance companies. This transaction was the last of the programme of long-dated conventional gilt syndications in 2010-11.

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

¹ 0.025%.

“Today’s transaction has seen the successful conclusion to this year’s programme of long-conventional syndicated offers, which has raised some £13.0 billion in just two operations. We have also established a new 30-year benchmark gilt in significant size, once again demonstrating one of the key benefits of syndications in providing direct access for investors to long-dated gilts, whilst achieving fair value for the taxpayer. The early conclusion of the bookbuilding process today and the smooth execution of the transaction as a whole reflects well on the efficiency of the gilt market and the commitment of its participants.

It is likely that the DMO will hold one more syndicated offering this financial year, of an index-linked gilt, in the first quarter of 2011. We look forward to working together with the market to deliver successfully another well received transaction which will complete this year’s syndication programme”.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Bank of America Merrill Lynch, Citigroup Global Markets, HSBC Bank plc, and UBS Investment Bank. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 14 October 2010.

The order book managed by the Joint Bookrunners was opened at 9.00am on 27 October 2010 with indicative price guidance for investors at a spread of +2.0 to +3.5 bps above the yield on 4¼% Treasury Gilt 2039. Around 9.30am the Joint Bookrunners announced that orders in the book were in excess of £5 billion, that the price guidance was being tightened to +2.0 to +2.5bps over the reference gilt and that the book was expected to close relatively quickly. At 10.30am the Joint Bookrunners announced that the book had closed, that the deal would be sized at £5.0 billion (nominal) and that pricing would be at a spread of +2.5 bps above the yield on 4¼% Treasury Gilt 2039. The book closed with bids totalling £8.14 billion in 58 orders.

Proceeds from the transaction are expected to be approximately £5.0 billion and will take sales of long conventional gilts for the financial year to-date to £29.9 billion. Total gross gilt sales for the financial year to-date are £116.4 billion, relative to the remit target of £165.0 billion.

4¼% Treasury Gilt 2040 will pay a short first coupon of £1.857923 per £100 nominal on 7 December 2010.

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