

17/10

27 January 2010

PRESS NOTICE

RESULT: SYNDICATED OFFERING OF 0⁵/₈% INDEX-LINKED TREASURY GILT 2040

The United Kingdom Debt Management Office ("DMO") announces that the syndicated offering of £3.5 billion nominal of 0⁵/₈% Index-linked Treasury Gilt 2040 has been priced at £97.723 per £100 nominal, equating to a gross real redemption yield of 0.709%. The offer was priced at a yield spread of 3 basis points (bps) below 1¹/₈% Index-linked Treasury Gilt 2037. The offer will settle, and the new gilt be issued, on 28 January 2010.

The domestic investor base provided the main support for the issue, taking around 96% of the allocation. There was strong interest from end investors, primarily fund managers, pension funds and insurance companies.

The DMO will announce a further syndicated offer in the current quarter in due course.

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

This transaction is the fifth to be held to-date in 2009-10 and marks the successful launch of a new 30-year index-linked gilt, at a level which represents fair value for the taxpayer. In line with our objectives for the syndication programme, we have been able to supply our core investor base with the type of gilt they are seeking in much larger size than would have been possible by auction.

The sale takes proceeds to-date from the syndication programme to £26.5 billion, relative to a revised plan for sales of £30 billion announced at PBR 2009. In our quarterly operations announcement on 18 December we announced that we planned to hold up to two syndicated offers in Q4 2009-10 (aiming to raise some £7 billion) and we will be announcing our further plans for this programme in due course.

NOTES TO EDITORS

The Syndicated Offering was managed by four Joint Bookrunners: Barclays Capital, Deutsche Bank, Nomura International 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 15 January 2010.

The order book managed by the Joint Bookrunners was opened at 9.00am on 27 January 2010 with indicative price guidance for investors at a spread of 2bps to 4bps below the yield on 1½% Index-linked Treasury Gilt 2037. The value of orders in the book passed £3.0 billion after 1 hour and over £4 billion in just over two hours. At 12.00 noon, the closure of the book at 12.15pm was announced. The book closed with bids of £4.5 billion with 53 orders. It was decided to size the offer at £3.5 billion. The offer was subsequently priced at a yield spread of 3 bps below the yield on 1½% Index-linked Treasury Gilt 2037.

Gross proceeds from the transaction are expected to be approximately £3.4 billion and will take index-linked gilt sales for the financial year to £26.9 billion. Total gross gilt sales for the financial year to-date are £193.7 billion, relative to the remit target of £225.1 billion. A total of £26.5 billion has now been raised from the five syndicated offers held to date. A planning assumption of sales from syndications of £30.0 billion was announced in the Pre-Budget Report 2009 (as part of a supplementary gilt sales programme of approximately £41.0 billion – comprising syndicated offers and mini-tenders).

The new gilt will pay its first dividend on 22 September 2010. The reference RPI for the issue date of the new gilt is 216.52258.

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