

PRESS NOTICE

RESULT: SYNDICATED OFFERING OF 0⁵/₈% INDEX-LINKED TREASURY GILT 2042

The United Kingdom Debt Management Office (“DMO”) announces that the syndicated offering of £5.0 billion nominal of 0⁵/₈% Index-linked Treasury Gilt 2042 has been priced at £92.482 per £100 nominal, equating to a gross real redemption yield of 0.886%. The offer was priced at a yield spread of 7 basis points (bps) below 1¹/₈% Index-linked Treasury Gilt 2037. The offer will settle, and be issued, on 24 July 2009.

The domestic investor base provided the main support for the issue, taking around 95% of the allocation. The remaining amount was placed overseas. In terms of investor type, there was very strong direct interest, with 81% 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.

“I am very pleased with today’s result. We have seen very strong demand from our core investor base and have successfully launched a new long-dated index-linked gilt in record size. Importantly, we have been able to price this new issue very competitively, thereby securing value for money for the taxpayer. Overall I think this is another good result both for the UK as a sovereign issuer and the market as a whole. I see this as building on the successful launch of the syndication programme last month”.

NOTES TO EDITORS

The Syndicated Offering was managed by four Joint Bookrunners: Barclays Capital, JP Morgan, HSBC Bank plc and Royal Bank of Scotland. All other Gilt-edged market makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 14 July 2009.

The order book managed by the Joint Bookrunners was opened at 9am on 23 July 2009 with indicative price guidance for investors at a spread of 4bps to 7bps below the yield on 1½% Index-linked Treasury Gilt 2037. The value of orders in the book reached £6.0 billion after 1 hour. Revised pricing guidance of a spread of 7bps below the yield on 1½% Index-linked Treasury Gilt 2037 was published at 10.30am and the closure of the book at 10:45am was announced. The book closed with bids of £8.0 billion with 61 orders. Given the quality and strength of the orders in the book, it was decided to size of the offer at £5.0 billion. The offer was subsequently priced at a yield spread of 7bps below the yield on 1½% Index-linked Treasury Gilt 2037, i.e. at the tight end of the spread range.

Gross proceeds from the transaction are expected to be approximately £4.61 billion and will take index-linked gilt sales for the financial year to £11.84 billion. Total gross gilt sales for the financial year to-date are £80.86 billion, relative to the remit target of £220.0 billion. A total of £11.45 billion has now been raised from the two syndicated offers held to date, as part of a £25.0 billion programme.

The new gilt will pay a short first dividend on 22 November 2009. The reference RPI for the issue date of the new gilt is 212.46452.

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

