

PRESS NOTICE

RESULT: SYNDICATED OFFERING OF 4¼% TREASURY GILT 2040

The United Kingdom Debt Management Office (“DMO”) announces that the sale by syndicated offering of £8.0 billion nominal of 4¼% Treasury Gilt 2040 has been priced at £100.121 per £100 nominal, equating to a gross redemption yield of 4.243%. The offer was priced at a yield spread of 1 basis point (bp)¹ above 4¼% Treasury Gilt 2039 which was at the tight end of the published price guidance. Gross proceeds from today’s transaction are expected to be approximately £8.0 billion.

The offer will settle, and the new gilt will be issued, on 30 June 2010. The domestic investor base provided the main support for the issue, taking around 94% of the allocation. There was again strong direct interest from end investors, primarily fund managers, pension funds and insurance companies. This transaction was the second of the 2010-11 programme of syndicated gilt offerings, which has so far raised £11.8 billion of a planned total of £26.0 billion.

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

Today has seen the largest syndicated gilt offering by the DMO to-date. The transaction has shown once again the extent of high quality demand from our core domestic investor base for long-dated conventional gilts. I also think it reflects well on the continued strength and attractiveness of the gilt market.

¹ 0.01%.

The quality and size of demand we saw today has facilitated the launch of a new benchmark gilt at the 30-year maturity point. This is a further illustration of one of the key benefits of the use of syndications in providing direct access, in large size, to the types of gilts sought by end-investors (including the UK pension and insurance sectors), whilst once again achieving fair value for the taxpayer.

NOTES TO EDITORS

The syndicated offering was managed by four Joint Bookrunners: Barclays Capital, Morgan Stanley, Nomura International plc and RBC Capital Markets. All other panel member Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 11 June 2010.

The order book managed by the Joint Bookrunners was opened at 9.00am on 29 June 2010 with indicative price guidance for investors at a spread of 1 to 3 bps above the yield on 4¼% Treasury Gilt 2039. The value of orders in the book reached £5.0 billion within 15 minutes. At 9.30am the Joint Bookrunners announced that the value of orders in the book had passed £7.0 billion, and at 10.00am they announced that orders in the book were in excess of £9.0 billion. At 10:50am the Joint Bookrunners announced that the price guidance was being revised to a spread of +1bp above the yield on the reference gilt, that orders were well over £10 billion and that the book would close at 11.00am. The book closed with bids totalling £13.8 billion in 77 orders. At 1.45pm the size of the deal was announced to be £8.0 billion (nominal), to be priced at 1bp above the yield on 4¼% Treasury Gilt 2039 (the tight end of the original price range).

Gross proceeds from the transaction are expected to be approximately £8.0 billion and will take long-dated conventional gilt sales for the financial year to-date to £16.0 billion. Total gross gilt sales for the financial year to-date are £57.4 billion, relative to the revised remit target of £165.0² billion. A revised planning assumption of sales from syndications of £26.0³ billion was announced in the Budget on 22 June 2010 (as part of a supplementary gilt sales programme of approximately £33.0⁴ billion, comprising syndicated offers and mini-tenders). The previous largest syndicated offers by the DMO were £7.0 billion sales of 4½% 2034 in June 2009 and of 4% 2060 in October 2009.

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

² Down from £185.2 billion.

³ Down from £29.2 billion.

⁴ Down from £39.2 billion.