

£1,400,000,000 NOMINAL OF

8½% TREASURY STOCK 2007

AVAILABLE FOR SWITCH BY AUCTION
ON A BID PRICE BASIS ON 21 JUNE 2001
FOR SETTLEMENT ON
22 JUNE 2001 INTO

5% TREASURY STOCK 2012



Application will be made to the London Stock Exchange for the 5% Treasury Stock 2012 issued as a result of this switch auction to be traded on the Main Market with effect from 22 June 2001.

1 THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites bids by GILT-EDGED MARKET-MAKERS ("GEMMs") holding 8½% Treasury Stock 2007 to switch their holdings into 5% Treasury Stock 2012 with effect from 22 June 2001.

2 The DMO will announce a clean price for 8½% Treasury Stock 2007 at 10.00am on 21 June 2001. Competitive bids are invited on a clean price basis for 5% Treasury Stock 2012. There is no provision for making bids on a non-competitive basis.

3 The DMO reserves the right to reject any bid or any part of any bid. Subject to this, bids will be ranked in descending order of price for 5% Treasury Stock 2012 and such Stock will be allocated to applicants whose bids are at or above the lowest price at which the DMO decides that any bid should be accepted (the "lowest accepted price"). Applicants whose bids are accepted in full will be allocated amounts of 5% Treasury Stock 2012 calculated according to the ratio of the dirty price (clean price plus accrued interest) of the source stock to the dirty price of the destination stock, rounded to the nearest fourth decimal place, and multiplied by the nominal amount of the source stock bid (or, where applicable, the percentage of the amount bid at the lowest accepted price). The accrued interest on 8½% Treasury Stock 2007 will be based on the number of days between the period from 16 January 2001 (the last interest payment of the stock) to 22 June 2001 (the settlement date of this switch auction). The accrued interest on 5% Treasury Stock 2012 will be based on the number of days between the period from 25 May 2001 (the settlement date of the issue of the stock) to 22 June 2001 (the settlement date of this switch auction).

4 The DMO reserves the right to switch less than the full amount of the Stock on offer at the auction.

5% Treasury Stock 2012

5 5% Treasury Stock 2012 issued as a result of the switch auction will be fungible in all respects with the existing 5% Treasury Stock 2012 from the settlement date (22 June 2001) and will be subject to the provisions of the prospectus dated 15 May 2001 and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO dated July 2000 (the "Information Memorandum"). GEMMs who switch all or part of their holdings of 8½% Treasury Stock 2007 into 5% Treasury Stock 2012 will therefore qualify for the first interest payment on 5% Treasury Stock 2012 payable on 7 September 2001 at a rate of £1.426630 per £100 nominal of stock. Sales of holdings of 8½% Treasury Stock 2007 to the DMO will be on the basis that they are surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them.

Bidding

6 Between 10.00am and 10.20am on 21 June 2001 GEMMs may make an unlimited number of telephone bids to the DMO; between 10.20am and 10.30am GEMMs are allowed up to a further 10 telephone bids each. Bids received after 10.30am on 21 June 2001 will not be accepted.

Settlement

7 Settlement of successful bids should be effected on 22 June 2001 through the CREST system by means of a free of payment Complex Delivery ("Many-to-Many" - "MTM") transaction type; the counterparty to the transaction will be Participant ID "RA001".

Enquiries on the terms of the switch auction may be made to the DMO on 020 7862 6500.

Government Statement

As explained in the statement issued by Her Majesty's Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor its servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 5% Treasury Stock 2012 is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

UNITED KINGDOM DEBT MANAGEMENT OFFICE

LONDON

12 June 2001

