

**OFFER OF CONVERSION TO HOLDERS OF
9% TREASURY STOCK 2012
TO CONVERT INTO
5% TREASURY STOCK 2012**



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Application will be made to the UK Listing Authority for 5% Treasury Stock 2012 issued as a result of this conversion to be admitted to the Official List on 23 July 2001. Application will be made to the London Stock Exchange for the stock to be traded on the Main Market.

1 THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites holders of 9% Treasury Stock 2012 to convert all or part of their holdings into 5% Treasury Stock 2012 with effect from 23 July 2001 at the rate of £136.35 nominal of 5% Treasury Stock 2012 per £100 nominal of 9% Treasury Stock 2012. The conversion rate has been calculated on a "dirty price" basis (ie the clean price plus accrued interest) for forward settlement on Monday, 23 July 2001. An amount equal to 167 days' gross accrued interest on 9% Treasury Stock 2012 and 59 days' gross accrued interest on 5% Treasury Stock 2012 has been factored into the conversion rate. Therefore no further interest payments will be made on holdings of 9% Treasury Stock 2012 in respect of which the conversion option has been exercised (see paragraph 3 for details of the interest payment arrangements for 5% Treasury Stock 2012).

2 Holders who do not wish to convert any part of their holdings need do nothing.

5% Treasury Stock 2012

3 5% Treasury Stock 2012 issued as a result of the conversion will be fungible in all respects with the existing stock from the date of conversion (23 July 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"). Stockholders who convert their holdings will therefore qualify for the first interest payment on 5% Treasury Stock 2012 which is payable on 7 September 2001 at the rate of £1.426630 per £100 nominal. Conversions of holdings of 9% Treasury Stock 2012 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.

Method of acceptance

(i) For holdings on the Bank of England Register

4 Copies of this notice are being sent by post to holders of 9% Treasury Stock 2012 on the Bank of England Register.

5 Stockholders who are members of the CREST system ('CREST') should read paragraph 6. Stockholders who are not CREST members (ie their holding is represented by a stock certificate) should read paragraphs 7 and 8.

Stockholders who are CREST members

- 6 In the case of stockholders who are CREST members, acceptance of the offer will be effected by the completion of a two stage process:
- The input of an Unmatched Stock Event ("USE") transaction to CREST. The USE transaction should cite the Bank of England, Registrar's Department, as receiving agent; Participant ID "RA001", Member Account ID "CONV". The USE transaction must have been received and allocated a Transaction ID by CREST by 12.30pm on THURSDAY, 19 JULY 2001.
 - The settlement of the USE transaction by close of business on THURSDAY, 19 JULY 2001.

Acceptance will not take place until both of these stages have been effected.

CREST members must also ensure that the nominal amount of stock held in the member's stock account is equal to or greater than the amount cited in the USE transaction. If not, the transaction will not settle and the acceptance will not be effective.

Stockholders who are **not** CREST members (ie their holding is represented by a stock certificate)

7 In the case of stockholders who are **not** CREST members, acceptance forms are being sent to the sole or, in the case of joint holdings, the first-named holder. Holders who wish to convert all or part of their holdings should complete the acceptance form and send it with the stock certificate(s) to the Bank of England, Registrar's Department, (Conversions), PO Box 555, Gloucester, GL1 1WX to arrive NOT LATER THAN 12.30pm ON THURSDAY, 19 JULY 2001.

(ii) For holdings on the Bank of Ireland, Belfast, Register

8 Copies of this notice and acceptance forms are being sent, by post, to holders of 9% Treasury Stock 2012 on the Belfast Register. In the case of joint accounts, these are being sent to the first-named holder. Holders who wish to convert all or part of their holdings should so indicate in writing and enclose their stock certificate(s) and send the documents to arrive NOT LATER THAN 12.30pm ON THURSDAY, 19 JULY 2001 at the Bank of Ireland, Registration Department, Financial Services, Wellington Buildings, Wellington Street, Belfast BT1 9HT.

Arrangements for conversion

9 Up to and including 22 July 2001, holdings in respect of which the conversion option has been exercised will be deemed to be the new and separate issue of Stock known as "9% Treasury Stock 2012 "Assented"", with the same terms as the existing 9% Treasury Stock 2012 save as provided in paragraphs 10 and 11 below. Transfers shall be effected in the same manner as transfers in respect of 5% Treasury Stock 2012 as set out in paragraph 13(vi) below.

10 (i) Where the 9% Treasury Stock 2012 "Assented" is held in certificated form, certificates of 5% Treasury Stock 2012 issued on conversion and a contract note showing the amount converted will be issued to stockholders as soon as possible after 23 July 2001. Transfers of 9% Treasury Stock 2012 'Assented' may be registered in that form up to 20 July 2001 and, after that date, the transferees will be registered as holders of the appropriate amounts of 5% Treasury Stock 2012.

(ii) Where the 9% Treasury Stock 2012 "Assented" is held in uncertificated form, on the date of conversion the relevant portions of 5% Treasury Stock 2012 will be credited to the CREST stock accounts of the relevant holders of the 9% Treasury Stock 2012 "Assented" and such 9% Treasury Stock 2012 "Assented" will be disabled. Amounts of 5% Treasury Stock 2012 issued on conversion will thereafter be amalgamated with existing holdings of that stock.

11 Transfers of 9% Treasury Stock 2012 "Assented" may be registered in that form up to 20 July 2001. After that date, the transferees will be registered as holders of the appropriate amounts of 5% Treasury Stock 2012.

12 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 9% Treasury Stock 2012 will be applied to the new holding of 5% Treasury Stock 2012.

Particulars of 5% Treasury Stock 2012

13 The terms of issue, set out in the prospectus dated 15 May 2001 and in the Information Memorandum, include the following provisions.

- (i) The principal and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
- (ii) Interest is payable half-yearly on 7 March and 7 September. The Stock will be repayable at par on 7 March 2012.
- (iii) The Stock may not be stripped and reconstituted until so specified in a notice issued by the DMO.
- (iv) The prospectus for the Stock includes provision for exemption from United Kingdom taxation in favour of non-residents.
- (v) The Stock may be registered at the Bank of England or at the Bank of Ireland, Belfast.
- (vi) Stock will be held in either certificated or uncertificated form. Uncertificated stock will be registered at the Bank of England, held by CREST members and transferable in multiples of one penny pursuant to the Uncertificated Securities Regulations 1995 (as amended). Certificated stock will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963.

14 Additional copies of this notice and forms for the acceptance of the conversion offer may be obtained by post from the Bank of England, Registrar's Department, (Conversions), Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Bank of Ireland, Registration Department, Financial Services, Wellington Buildings, Wellington Street, Belfast BT1 9HT.

15 CREST members only may obtain further guidance about the arrangements set out above in relation to their CREST accounts by contacting CRESTCo (0845 9645 648). Stockholders who are not CREST members may obtain further guidance on the conversion arrangements by contacting the Registrar's Department, Bank of England (01452 398080). Enquiries on the terms of the conversion offer may be made to the DMO on 020 7862 6500.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

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

29 June 2001