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PRESS NOTICE

REDEMPTION OF 3½% CONVERSION LOAN

The government is today announcing that 3½% Conversion Loan will be redeemed in its entirety at par on Wednesday 1 April 2015. The redemption of 3½% Conversion Loan will complete the repayment of UK government bonds issued to finance the First World War.

Under the terms of its Prospectus dated 26 April 1921, 3½% Conversion Loan can be redeemed at par on 1 April 1961 or any half-yearly interest date thereafter, subject to the government giving three months' notice in the London Gazette. The DMO is planning for the formal notice to this effect to be published in the London Gazette on or before 31 December 2014.

Redemption monies (and the final interest payment of £1.75 per £100 nominal) will be payable on 1 April 2015 to, or in accordance with the instructions of, the persons registered as holders on 23 March 2015.

3½% Conversion Loan has £15.6 million (nominal) in issue and is one of the smallest of the eight outstanding undated gilts remaining in the gilt portfolio; these total £2.59 billion nominal and comprise less than 0.2% of the gilt portfolio.

On 31 October 2014 the government announced the redemption of 4% Consolidated Loan on 1 February 2015. 4% Consolidated Loan has £218.4 million in issue.

On 3 December 2014 the government announced the redemption of 3½% War Loan on 9 March 2015. 3½% War Loan has £1,938.6 million in issue. Also on 3 December, the government announced that it will adopt a strategy to remove all other undated gilts from the gilt portfolio where that is deemed to provide value for money.

NOTES TO EDITORS

3½% Conversion Loan was issued on 1 April 1921 in exchange for a number of series of 5% National War bonds (maturing in 1922, 1923, 1924 and 1925).

Uniquely in the case of gilts, 3½% Conversion Loan has an active sinking fund. Commencing with the half year ending 1 April 1922, a sum equal to not less than one per cent of the Loan outstanding (at the close of any half year during which the average daily price of the gilt has been below £90.00) is set aside as a sinking fund, to be used in the succeeding half year to purchase an amount of the loan for cancellation.

The table below lists all the current undated gilts. All of these gilts, except 3½% War Loan, are rump gilts¹.

Undated gilts	£ million (nominal)
4% Consolidated Loan	218.4
3½% War Loan	1,938.6
3½% Conversion Loan	15.6
3% Treasury Stock	34.6
2¾% Annuities	0.7
2½% Treasury Stock	220.9
2½% Consolidated Stock	162.1
2½% Annuities	0.9

The redemption of 3½% Conversion Loan will increase the redemption total for 2015-16 and will be factored into DMO's financing remit and financed as part of the DMO's overall debt sales programme in 2015-16.

The register of holders of 3½% Conversion Loan is maintained by the gilt registrar Computershare Investor Services PLC, and it will contact all registered holders in due course to make arrangements for the redemption payment.

The strategy to remove all undated gilts from the gilt portfolio, where it is deemed to provide value for money, is a reflection of the current low interest rate environment, and the government's intention to reflect in its gilt portfolio those aspects of major sovereign bond markets of most importance to global investors, importantly including a continued focus on a benchmark issuance strategy to create large liquid stocks, thereby facilitating investor access to the market.

The government will bring forward the necessary legislation to provide for any future redemption of the three undated gilts for which Parliamentary approval is required - these are 2¾% Annuities, 2½% Annuities and 2½% Consolidated Stock. The government would then be able to redeem these gilts as and when it is deemed value for money to do so.

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

¹ i.e. gilts whose size is deemed by the DMO to be so small that Gilt-edged Market Makers (GEMMs) are not required to make a market in them and the DMO acts as buyer of last resort.