

PRESS NOTICE

1 February 2011

AUCTION OF BRITISH GOVERNMENT STOCK

Auction Details

| | |
|--|----------------------------|
| Auction Date | Tuesday, 8 February 2011 |
| Issue and Settlement Date | Wednesday, 9 February 2011 |
| Bidding Convention | Uniform Price (see Note 1) |
| Index adjusted accrued interest payable with bid | £0.452158 per £100 nominal |
| Auction Close | 10:30am London Time |

Details of Security

| | |
|--|---|
| Title | 1½% Index-linked Treasury Gilt 2022 |
| Amount (nominal) for auction | £1,000 million (fungible with previous issues) (see Note 5) |
| Nominal outstanding after auction | £13,395 million (£14,801.4 million Index adjusted) |
| Maturity Date | 22 November 2022 |
| Interest Dates | 22 May and 22 November |
| Parent ISIN Code | GB00B1Z5HQ14 |
| Parent SEDOL Code | B-1Z5-HQ1 |
| Reference Index applicable to first issue date | 205.65806 (as at 11 July 2007) (see Note 4) |
| Index Ratio at 9 February 2011 | 1.10502 |
| Interest Payable | Gross (see Note 2) |
| Next Interest Date | 22 May 2011 (Standard Coupon) (see Note 3) |

“When Issued” Trading

under London Stock Exchange Rule 1530

| | |
|----------------------------|-------------------------------------|
| Commences | 3:30pm London Time: 1 February 2011 |
| Closes | Close of business: 8 February 2011 |
| “When issued” ISIN Code | GB00B4XBVS21 |
| “When issued” SEDOL Code | B-4XB-VS2 |
| TIDM (for trade reporting) | AUCB |

Note 1: Bids may be made on either a competitive or a non-competitive basis. Details of the bidding procedures are set out in the prospectus and in the Information Memorandum. Index-linked Gilt-edged Market Makers may bid by means of the Bloomberg Bond Auction System to the DMO not later than 10.30 am on Tuesday, 8 February 2011.

Note 2: Holders may elect to have United Kingdom income tax deducted from interest payments, should they so wish, on application to the Registrar, Computershare Investor Services PLC.

Note 3: Actual amount of interest per £100 nominal is £0.9375 x Index Ratio for 22 May 2011 and expressed as a percentage in pounds sterling to six places of decimals and rounded to the nearest figure.

Note 4: The Reference Index for the first calendar day of any calendar month shall be the RPI figure for the calendar month falling three calendar months earlier. The Reference Index for any other day in the month shall be calculated by linear interpolation between the Reference Index applicable to the first calendar day of the month in which the day falls and the Reference Index applicable to the first calendar day of the month immediately following. Interpolated values for the Reference Index for any date should be rounded to the nearest 5th decimal place.

Note 5: Subject to the provisions of the Information Memorandum, this auction will be eligible for the Post Auction Option Facility of an additional amount of the Gilt equivalent to 10% of the nominal amount of the Gilt allocated at the auction. Details of the Post Auction Option Facility procedures are set out in the Information Memorandum.

Documentation

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|--|--|
| Prospectus DMO : 1 February 2011 | http://www.dmo.gov.uk/documentview.aspx?docName=/gilts/public/prospectus/prosp010211.pdf |
| Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock DMO : May 2009 | www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/infmem220509.pdf |
| Formulae for Calculating Gilt Prices from Yields DMO : 16 March 2005 | www.dmo.gov.uk/documentview.aspx?docname=/giltsmarket/formulae/yldeqns.pdf |

Applications from Members of the Approved Group of Investors

Application forms from Approved Group members must be sent to Computershare Investor Services PLC, who are acting on behalf of the DMO, at the following address: PO Box 2411, The Pavilions, Bristol, BS99 6WX to arrive not later than 10.00 am on Tuesday, 8 February 2011. They may also be lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Tuesday, 8 February 2011. The amount payable on application in the case of a non-competitive bid made by a member of the Approved Group is £128.50 per £100 nominal of the Gilt.

Remit 2010-11

Gilt sales of £165.2 billion (cash) are planned in 2010-11 and progress against the remit is summarised in the table below (which may not include the amount of gilts issued under the Post Auction Option Facility for the most recent auction, if any).

| Gilt sales relative to remit targets: 1 February 2011 (£ millions) | | | | | |
|--|--------------------|--------|--------|--------------------|---------|
| | Conventional Gilts | | | Index-linked gilts | Total |
| | Short | Medium | Long | | |
| Total gilt sales to-date | 48,965 | 32,387 | 36,582 | 31,734 | 149,667 |
| Planned sales at auctions | 52,700 | 38,200 | 24,100 | 17,000 | 132,000 |
| 1. Sales at auctions ¹ | 48,624 | 32,112 | 19,750 | 14,890 | 115,376 |
| Balance of auction sales to plan | 4,076 | 6,088 | 4,350 | 2,110 | 16,624 |
| Balance assuming PAOF ² | 3,789 | 5,596 | 4,110 | 2,020 | |
| Auctions remaining | 1 | 2 | 2 | 2 | 7 |
| Auction evenflow ³ | 3,789 | 2,798 | 2,055 | 1,010 | |
| 2. Sales by syndication | | | 12,994 | 13,944 | 26,938 |
| Planned sales by syndication | | | | | 26,200 |
| 3. Sales by tender | | | 3,428 | 2,841 | 6,268 |
| Planned sales by tender | | | | | 7,000 |
| Total supplementary sales | | | 16,422 | 16,785 | 33,207 |
| 4. PAOF proceeds ⁴ | 341 | 275 | 409 | 59 | 1,084 |
| Total planned sales | 52,700 | 38,200 | 40,500 | 33,800 | 165,200 |
| ¹ Including PAOF proceeds to 29 November 2010. | | | | | |
| ² These amounts assume that PAOF accrues at each auction between 29 Nov 2010 and end-March 2011 at the same average rate as in the FY to 29 Nov (£287m S, £246m M, £120m L and £45m ILG). In the event that take up differs from these assumptions, the outturn will be reflected in the T-bill stock and/or the DMO's net cash position. | | | | | |
| ³ Calculated after assumed PAOF contribution (as above). | | | | | |
| ⁴ Since 29 November 2010 - these amounts are included in the total gilt sales to-date line. | | | | | |

