



Midland Bank plc

(Incorporated with limited liability in England)

U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes Issue Price 100 per cent.

A copy of this document, which comprises the listing particulars required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, has been delivered to the Registrar of Companies in England and Wales for registration as required by such Regulations.

Interest on the U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes (the "Notes") will be payable semi-annually in arrear in each year at a rate of ¼ per cent. per annum above the London inter-bank offered quotation for six-month U.S. dollar deposits for each Interest Period subject, until September, 1995, to a minimum rate of 5 per cent. per annum, as set forth in "Terms and Conditions – Interest".

The Notes will be unsecured obligations of Midland Bank plc (the "Bank"); the obligation of the Bank to make any payment in respect of principal and interest on the Notes will be conditional upon the Bank being able to make such payment and remain solvent immediately thereafter; the Notes, in the event of the winding up of the Bank in England, will be treated as if they had been converted into preference shares of £1 each in the capital of the Bank at the rate of exchange ruling on the business day preceding the commencement of the winding up, all as set forth under "Terms and Conditions – Status and Subordination". The Notes will be undated and, accordingly, will have no final maturity date, and will only be repayable for taxation reasons, or at the option of the Bank, as set forth under "Terms and Conditions – Repayment".

Samuel Montagu & Co. Limited

Goldman Sachs International Corp.
 E F Hutton & Company (London) Ltd
 Morgan Guaranty Ltd
 Orion Royal Bank Limited
 Société Générale
 Union Bank of Switzerland (Securities) Limited

Merrill Lynch Capital Markets
 IBJ International Limited
 Morgan Stanley International
 Shearson Lehman Brothers International
 Swiss Bank Corporation International Limited
 S. G. Warburg & Co. Ltd.

Amro International Limited
 Bank of Tokyo International Limited
 Bankers Trust International Limited
 Banque Paribas Capital Markets
 Chase Manhattan Capital Markets Group
 Commerzbank Aktiengesellschaft
 Creditanstalt-Bankverein
 Dresdner Bank Aktiengesellschaft
 Generale Bank
 Lloyds Merchant Bank Limited
 Mitsui Finance International Limited
 Nippon Credit International (HK) Ltd.
 Sanwa International Limited

Bank of China
 BankAmerica Capital Markets Group
 Banque Nationale de Paris
 Barclays Merchant Bank Limited
 Chemical Bank International Group
 County Bank Limited
 Dai-ichi Kangyo International Limited
 Fuji International Finance Limited
 Hongkong Bank Limited
 LTCB International Limited
 Morgan Grenfell & Co. Limited
 Nomura International Limited
 Takugin International Bank (Europe) S.A.

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY MIDLAND BANK plc
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

MI-MN 63 MIDLAND BANK plc

(Incorporated with limited liability in England)

(Registered No. 14259)

MID

U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes

Issue Price 100 per cent.

This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to the issue of U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes (the "Notes") by Midland Bank plc (the "Bank"). The Bank is responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and may not be offered or sold, directly or indirectly, in the United States of America or its possessions, territories or all areas subject to its jurisdiction or to nationals or residents thereof (except, subject to certain restrictions, to branches of United States banks located outside the United States) as part of the distribution of the Notes. See "Subscription and Sale".

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.

The following are the terms and conditions of the Notes, subject to alteration, substantially in the form in which they will appear in the Trust Deed:-

TERMS AND CONDITIONS

This Note is one of a duly authorised issue of Notes (the "Notes") of Midland Bank plc (the "Bank"), in the aggregate principal amount of U.S.\$500,000,000 constituted by a trust deed dated 16th September, 1985 (the "Trust Deed") made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include its successors as trustee under the Trust Deed) and having the benefit of a Paying Agency Agreement dated 16th September, 1985 (the "Paying Agency Agreement") made between the Bank and the Paying Agents referred to below and of an Agent Bank Agreement dated 16th September, 1985 (the "Agent Bank Agreement") made between the Bank and Citibank, N.A.. The Trustee shall act as trustee for the holders for the time being of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed, the Paying Agency Agreement and the Agent Bank Agreement together with the Memorandum and Articles of Association of the Bank and the latest available annual consolidated accounts of the Bank will be available for inspection at the registered office of the Trustee being at the date hereof at Estates House, 66 Gresham Street, London EC2V 7HX and at the specified offices of the Principal Paying Agent and each of the Paying Agents named herein, or appointed in accordance with Condition 6 (the "Paying Agents"). The Noteholders and the holders of the Coupons (as defined in Condition 1) (the "Couponholders") will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Trust Deed.

1. Form, Denomination and Transfer

The 50,000 Notes are in bearer form serially numbered and in the denomination of U.S.\$10,000 each with coupons and a talon for further coupons (together "Coupons") attached. Title to the Notes and the Coupons appertaining thereto will pass by delivery. The bearer of any Note and, subject to Condition 6, the bearer of any Coupon shall be deemed to be and shall be treated as the absolute owner thereof for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone or any notice of previous loss or theft thereof) and for all other purposes, whether or not such Note or Coupon shall be overdue.

2. Status and Subordination

The Notes and the Coupons are unsecured obligations of the Bank and rank *pari passu* without any preference among themselves. Claims in respect of principal and interest on the Notes are subordinated in the Trust Deed to the claims of Senior Creditors (as defined in the Trust Deed) and accordingly the Bank's obligation to make any payment of interest (and, where applicable, any repayment of principal) is conditional upon the Bank being able to make such payment and remain solvent (as defined in the Trust Deed) immediately thereafter.

In the event of the winding up of the Bank in England, the Notes shall be treated as if at the close of business on the business day preceding the commencement of the winding up of the Bank the principal amount payable in respect of the Notes together with Arrears of Interest and interest accrued in the current Interest Period had been converted into preference shares of £1 each in the capital of the Bank at the rate of exchange ruling on such preceding business day according to the terms set out in Condition 9.

"preference shares" means preference shares of £1 each in the capital of the Bank having a preferential right to a return of assets and to participate in the profits of the Bank in the winding up over the rights of the holders of all issued shares for the time being in the capital of the Bank and having such other rights and privileges and being subject to the restrictions set out in the Trust Deed.

N.B. If the Bank would not otherwise be solvent (including liabilities to creditors other than senior creditors) principal and interest on the Notes may be used to absorb further losses.

3. Further Issues

The Bank shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue any class of share capital (subject as provided in the Trust Deed) and to create, issue, secure or guarantee any indebtedness upon such terms, including as to return of capital or repayment in a winding up, as the Bank may think fit.

4. Interest

(a) Interest Payments

Interest on the Notes will be paid in accordance with Condition 6.

(b) Period of Accrual of Interest

The Notes bear interest from 18th September, 1985 or, in the event that payment to the Bank of the subscription moneys in respect of the Notes is deferred, such later date as payment shall be made (the "Closing Date"). Where any principal in respect of any Note is to be repaid under Condition 5, interest thereon will cease to accrue from the due date for repayment unless, upon due presentation thereof, payment of principal or accrued interest is improperly withheld or refused.

(c) Interest Payment Dates, Interest Periods and Arrears of Interest

"Interest Payment Date" means the date which (save as mentioned below) falls six calendar months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, six calendar months after the Closing Date. If any Interest Payment Date would otherwise fall on a day which is not a business day it shall be postponed to the next business day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the immediately preceding business day and each subsequent Interest Payment Date shall be the last business day of the sixth calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen. The period from the Closing Date to the first Interest Payment Date and each period thereafter between successive Interest Payment Dates is referred to herein as an "Interest Period"; and, as used in this Condition, "business day" shall mean a day on which banks and foreign exchange markets are open for business in both London and New York City.

"Compulsory Interest Payment Date" means any Interest Payment Date occurring at the end of an Interest Period during which any dividend has been declared or paid on any class of share capital of the Bank; and "Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

There shall be payable on each Compulsory Interest Payment Date interest in respect of the Interest Period ending on such date.

On an Optional Interest Payment Date there may be paid (if the Bank so elects) the interest accrued in the Interest Period ending on such date but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall (except to the extent that such interest shall subsequently have been paid) constitute "Arrears of Interest". Arrears of Interest may, prior to the commencement of the winding up of the Bank, be paid in whole or in part upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 11, but payment in respect of Interest Periods shall be made taking the earliest Interest Period first and no partial payment shall be made in respect of any Interest Period. Arrears of Interest shall otherwise only become payable, subject to Condition 2, on (i) the due date for repayment of any of the Notes or (ii) the date on which any declaration or payment of any dividend on any class of share capital of the Bank is made. If notice is given by the Bank of its intention to pay the whole or part of the Arrears of Interest, the Bank shall be obliged, subject to Condition 2, to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

The Bank shall give notice in accordance with Condition 11:—

- (i) not more than 14 nor less than 7 days prior to any Optional Interest Payment Date on which it elects not to make any payment of interest of such election; and
- (ii) of any date when the Arrears of Interest shall have become payable.

(d) *Rate of Interest*

The rate of interest for an Interest Period from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank (as described in (e) below) on the basis of the following provisions:

- (i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date") the Agent Bank will request the principal London offices of the Reference Banks (as described in (h) below) to provide the Agent Bank with their respective offered quotations (the "offered rates") to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for that Interest Period shall, subject to (v) below, be $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the offered rates of three out of five quoting Reference Banks (excluding the highest and lowest (or, in either case, if more than one, then one only of them) of the offered rates of all the Reference Banks);
- (ii) if on any Interest Determination Date four only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall, subject to (v) below, be determined (in accordance with (i) above) on the basis of the offered rates of two out of the four quoting Reference Banks (excluding as aforesaid);
- (iii) if on any Interest Determination Date three or two only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall, subject to (v) below, be determined (in accordance with (i) above) on the basis of the offered rates of all the quoting Reference Banks (but without excluding as aforesaid);
- (iv) if, on any Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such offered quotations, the Rate of Interest for the relevant Interest Period shall, subject to (v) below, be whichever is the higher of:
 - (A) the Rate of Interest in effect for the last preceding Interest Period to which (i), (ii) or (iii) above shall have applied; and
 - (B) (i) a rate per annum which the Agent Bank determines as being $\frac{1}{4}$ per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the rates, as communicated to and at the request of the Agent Bank by or on behalf of the Reference Banks or any two or more of them (if such only provide quotations), at which such Reference Banks are offered, as at 11.00 a.m. (New York City time) on the relevant Interest Determination Date, by leading banks in New

York City, U.S. dollar deposits for the relevant Interest Period, or (ii) if only one or none of the Reference Banks provides the Agent Bank with such offered rates, ¼ per cent. per annum above the arithmetic average of the lowest lending rates for U.S. dollar deposits which leading banks in New York City, selected after consultation with the Bank by the Agent Bank, quote on the relevant Interest Determination Date for the relevant Interest Period to leading banks which have their head offices in Europe; provided that if the banks selected as aforesaid by the Agent Bank are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (A) above; and

- (v) in no event in respect of any Interest Period ending in or before September, 1995 shall the Rate of Interest be less than 5 per cent. per annum, but thereafter no such minimum shall apply.

(e) *Determination of Rate of Interest and Calculation of the Amount of Interest*

The Agent Bank will, on each Interest Determination Date, determine the Rate of Interest and the amount of interest payable on the presentation and surrender of each Coupon in respect of each Note (the "Amount of Interest") for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the principal amount of one Note, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(f) *Publication of Rate and Amount of Interest*

The Agent Bank will cause the Rate of Interest and the Amount of Interest payable on the Notes as ascertained pursuant to (e) above for each Interest Period and the relevant Interest Payment Date to be notified to The Stock Exchange and to be published in accordance with Condition 11. Such Amount of Interest and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Determination or Calculation by Trustee*

In the event that the Agent Bank does not at any time for any reason determine the Rate of Interest in accordance with (d) above or the Amount of Interest payable on the Notes as ascertained pursuant to (e) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in (d) or (e) above, but subject to the minimum Rate of Interest referred to in sub-paragraph (d)(v) above), it shall deem fair and reasonable in all the circumstances; and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(h) *Agent Bank and Reference Banks*

The Bank shall procure that so long as interest continues to accrue on the Notes there shall at all times be an Agent Bank and five Reference Banks for the purposes of the Notes. The initial Reference Banks shall be the principal London offices of The Chase Manhattan Bank, N.A., Citibank, N.A., Deutsche Bank Aktiengesellschaft, National Westminster Bank PLC and Toronto Dominion Bank and the initial Agent Bank shall be Citibank, N.A. The Bank may, with the prior approval of the Trustee, from time to time replace any Reference Bank or the Agent Bank by another bank engaged in the eurodollar market. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or being unable or unwilling to continue to act as Agent Bank, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign its duties as such without a successor having been appointed and approved as aforesaid.

(i) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition whether by the Reference Banks (or any of them), the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Agent Bank, the Principal Paying Agent, the Trustee and all of the Noteholders and Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Reference Banks, the Agent

Bank, the Principal Paying Agent, or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

5. Repayment

(a) Repayment

The Notes will be undated and accordingly will have no final maturity date and will only be repayable as provided under this Condition or Condition 9 below.

(b) Repayment for Taxation Reasons

If the Bank satisfies the Trustee, immediately prior to the giving of the notice referred to below, that, as a result of any change in, or amendment of or judicial decision relating to, the laws of the United Kingdom or any change in the official application of any such laws, the Bank, on the next Interest Payment Date, would be required to pay any additional amounts in accordance with the provisions of Condition 7, the Bank may, on giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders, repay on any Interest Payment Date all, but not some only, of the Notes at their principal amount. Upon the expiration of such notice the Bank shall be bound to repay the principal amount of the Notes to which such notice refers and shall be bound to pay interest accrued in the Interest Period ending on such date and all Arrears of Interest in respect of all the Notes.

(c) Repayment at the Option of the Bank

The Bank may, having given not less than 45 days' notice to the Trustee and on giving not more than 45 nor less than 30 days' notice to the Noteholders, repay all or some (being U.S.\$10,000,000 in principal amount or an integral multiple thereof) of the Notes on any Interest Payment Date falling in or after September, 1990 at their principal amount. Upon the expiration of such notice the Bank shall be bound to repay the principal amount of the Notes to which such notice refers and shall be bound to pay interest accrued in the Interest Period ending on such date and all Arrears of Interest in respect of all the Notes.

(d) Drawings

In the case of any partial repayment under the terms of sub-paragraph (c) above, Notes to be called for repayment will be drawn in London or such other place as the Trustee may approve, individually by lot or in such a manner as may be approved by the Trustee, not more than 45 days before the Interest Payment Date fixed for such repayment and notice of the serial numbers of the Notes so drawn will be given to the Noteholders together with notice of the date fixed for repayment in accordance with Condition 11.

(e) Purchases

The Bank or any of its subsidiaries may at any time purchase Notes (i) in the open market or by tender or by private treaty at a price which shall not exceed (exclusive of accrued interest and expenses) 150 per cent. of the principal amount of the Notes and (ii) through The Stock Exchange at a price which shall not exceed 105 per cent. of the average of the middle market quotations of the Notes on The Stock Exchange as shown in The Stock Exchange Daily Official List for the ten business days before such purchase is made.

(f) Cancellation

All Notes repaid or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or reissued. References in this Condition 5 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business as a dealer in securities (as defined in the Trust Deed).

6. Payments

Payments in respect of the Notes upon a winding up of the Bank in England will be made against surrender of the relevant Note, other payments of principal will be made against surrender of the relevant Note and other payments of interest will be made against surrender of the relevant Coupon at the specified office of any Paying Agent, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, subject in all cases to

Condition 2 and to any fiscal or other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment, but without prejudice to the provisions of Condition 7. Without prejudice to the generality of the foregoing, the Bank reserves the right to require any person receiving repayment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States Federal Income Tax laws. *It is likely that corporations, including banks and other financial institutions, will only have to supply evidence of corporate status.*

Upon the due date for repayment of any Notes or upon the purchase of Notes by the Bank or any of its subsidiaries (except in the ordinary course of business as a dealer) any unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof and such Coupons shall cease to be treated as Coupons for the purpose of these Conditions.

For the purpose of these Conditions "matured" in relation to Coupons refers to Coupons in respect of which the Interest Payment Date has occurred.

Upon the commencement of a winding up of the Bank in England unmatured Coupons and all other Coupons in respect of which the Relevant Date has not occurred (whether or not attached to the relevant Notes) shall become void and no payment shall be made in respect thereof and such Coupons shall cease to be treated as Coupons for the purpose of these Conditions.

The Bank reserves the right, at any time, with the approval of the Trustee, to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain a Paying Agent having a specified office in a European country other than the United Kingdom and, so long as the Notes are listed on The Stock Exchange, a Paying Agent having a specified office in the City of London.

In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes in the manner provided above when due, (ii) payment of the full amount of interest on the Notes by such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and the Trustee requests that payment be made in New York City, and (iii) such payment is then permitted by United States law.

Notice of any termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 11.

7. Taxation

All repayments of principal and payments of interest by the Bank in respect of the Notes and/or Coupons will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any authority in the United Kingdom having power to tax, unless the withholding or deduction of such taxes or duties is required by law, in which event the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:—

- (i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (ii) in the United Kingdom, unless it is proved to the satisfaction of the Paying Agent to whom the same is presented that at the time of presentation the person entitled to the interest is the beneficial owner of the Note and is not resident in the United Kingdom; or
- (iii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment after expiry of such 30 day period.

For the purposes of these Conditions, the "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount of the moneys payable has not been received in New York City by the Principal Paying Agent (as defined in the Trust Deed) or the Trustee on or prior to such due date, the date on which the full amount of such moneys having been so received, notice to that effect shall have been duly published. Any reference in these Conditions to principal or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under the undertakings referred to in this Condition or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8. Prescription

Notes and Coupons (other than talons for further Coupons) will become void unless presented for payment within a period of 12 years and 6 years respectively from the Relevant Date relating thereto. Talons shall become void unless presented for exchange for further Coupons within the prescription period applicable to the latest Coupon on the Coupon sheet with which the talon was issued.

9. Enforcement

(a) If default is made for a period of 7 days or more in the repayment of any principal due on the Notes or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes or any of them then the Trustee may, in order to enforce payment, at its discretion and without further notice institute proceedings for the winding up of the Bank in England provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, or (ii) (subject as provided in the Trust Deed), in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee, as to such validity or applicability.

(b) In the event of the winding up of the Bank in England, the Notes shall be treated as if at the close of business on the business day preceding the commencement of the winding up of the Bank the principal amount payable in respect of the Notes together with Arrears of Interest and interest accrued in the current Interest Period had been converted into preference shares credited as fully paid according to the following formula:—

$$N = \frac{P}{R}$$

Where

N = the number of preference shares into which each Note is deemed to be converted, rounded down to the nearest whole number;

P = the principal amount of each Note and, in respect of such Note, all Arrears of Interest and interest accrued in the current Interest Period; and

R = the U.S. dollar equivalent of one pound sterling as determined as at 11.00 a.m. on such preceding business day by the Agent Bank by reference to the mid-rates quoted by the Reference Banks or (if less than all the Reference Banks so quote) on the basis of the mid-rates quoted by those Reference Banks who so quote;

whereupon, the entitlement of Noteholders in respect of the principal repayable and interest payable in respect of the Notes shall, in lieu of the repayments and payments hereinbefore provided, be (subject to Condition 2) to be paid only such sums as would have been payable in respect of such preference shares exclusive of any tax credit given in relation to dividends payable thereon.

N.B. The Trustee would prove in any winding up of the Bank in England by reference to the value of such sums.

(c) The Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding up of the Bank in England to enforce any obligation, condition or provision binding on the Bank under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal moneys or interest in respect of the Notes or the Coupons) provided that the Bank shall

not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Bank be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. The Trustee may only institute proceedings for the winding up of the Bank to enforce the obligations above referred to in this paragraph if a default by the Bank thereunder is not remedied to the satisfaction of the Trustee within 60 days (or such longer period as the Trustee may permit) after notice of such default has been given to the Bank by the Trustee requiring such default to be remedied.

(d) The Trustee shall not in any event be bound to take any of the actions referred to in paragraphs (a) and (c) above unless (i) it shall have been so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding or if it shall have been so directed by an Extraordinary Resolution of the Noteholders and (ii) it shall have been indemnified to its satisfaction.

(e) No remedy against the Bank other than as specifically provided by this Condition or in the Trust Deed shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes or Coupons or otherwise, and no Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings against the Bank for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

10. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Bank may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. Notices

All notices regarding the Notes or the Coupons will be valid if published in one leading daily newspaper in London or, if this is not possible, in one other leading English language daily newspaper with general circulation in Europe. It is expected that publication of notices will normally be made in the Financial Times. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

12. Meetings of Noteholders; Modification; Waiver; Substitution

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including, subject to the agreement of the Bank, the modification by Extraordinary Resolution of the terms and conditions of the Notes or the provisions of the Trust Deed. At any meeting convened for the passing of an Extraordinary Resolution the quorum will be persons holding or representing a clear majority, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on the Couponholders. Subject to certain exceptions, the Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, and (ii) the waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed which, in either case, is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders. Any such modification or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter. Subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, the Trustee shall also agree, subject to the Notes and Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, and subject to the basis on which the Notes (together with Arrears of Interest and interest accrued in the current Interest Period) will be treated as having been converted into preference shares in the event of the winding up of the Bank in England not being altered in any way which in the opinion of the Trustee is

materially prejudicial to the interests of the Noteholders, to the substitution of any subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons provided that the claims of the Noteholders and Couponholders shall, in the case of the substitution for the Bank of a banking subsidiary of the Bank, be subordinated (if legally possible in the manner *mutatis mutandis* to the provisions applicable to the Notes and the Coupons) to the rights of the depositors and other creditors (other than creditors subordinated on a basis equivalent to that mentioned in Condition 2) of that subsidiary and the right of repayment of any on-loan of the proceeds of the issue of the Notes by such subsidiary to the Bank shall be subordinated to at least the same extent. In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, determination or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank and/or any of its subsidiaries without accounting to the Noteholders or Couponholders for any profit resulting therefrom.

14. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and shall be construed in accordance with English law. In the case of a substitution under Condition 12 the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders but the Trustee shall not have regard to the consequences of such change for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory and the Trustee shall not be entitled to require nor shall any Noteholder or Couponholder be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, which are expected to amount to U.S.\$496,750,000, will be employed for the conduct of the international business of the Midland Bank group.

THE BANK

The Bank is the parent company of the Midland Bank group, the business of which consists of providing a wide range of banking, financial and related services. The Bank is one of the four major London clearing banks. At 31st December, 1984 the total assets of the Midland Bank group were £61 billion, of which the Bank constituted £31 billion. Based on published 1984 financial information, the Midland Bank group was the sixteenth largest banking group in the world in terms of deposits.

DIRECTORS OF THE BANK

The Directors of the Bank, each of whose business address is Poultry, London EC2P 2BX if not otherwise stated, their functions within the Midland Bank group and their principal outside activities where significant to the Midland Bank group are as follows:—

<i>Name</i>	<i>Function within the Midland Bank group*</i>	<i>Principal Outside Activity</i>
Sir Donald James Barron, DL	Chairman	—
Sir Alexander Anthony Jarratt, CB	Deputy Chairman	Chairman Smiths Industries PLC
Sir Patrick Michael Meaney	Deputy Chairman	Chairman The Rank Organisation plc
John Ashton Brooks	Deputy Group Chief Executive	—
Frank Vondell Cahouet	Chairman and Chief Executive Officer Crocker National Corporation	—
Sir Eric John Callard	Non-Executive Director	—
Sir Kenneth George Corfield	Non-Executive Director	—
Sir John Graham Cuckney	Chairman The Thomas Cook Group Limited	—
Brian Lees Goldthorpe	Chief Executive (Group Risk Management) Director Samuel Montagu & Co. (Holdings) Limited	—
John Derek Greenwell	Chief Executive (U.K. Business)	—
John Gordon Harris	Senior Vice Chairman Crocker National Corporation	—
Sir Derrick Holden-Brown	Non-Executive Director	Chairman and Chief Executive Allied-Lyons PLC
Sir Trevor Holdsworth	Non-Executive Director	Chairman Guest Keen and Nettlefolds plc
Michael Frederick Julien	Group Finance Director	—
Detta O' Cathain	Non-Executive Director	Director and General Manager of Milk Marketing, Milk Marketing Board
Geoffrey William Taylor	Group Chief Executive Director Samuel Montagu & Co. (Holdings) Limited	—

*Relates to the Bank unless otherwise stated

CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

On 31st December, 1984 the share capital and consolidated reserves of the Bank were as follows:

	£'m
Share Capital	
Authorised	
Shares of £1 each	265
	265
Issued and credited as fully paid	
Shares of £1 each	230
Reserves	
Share premium	277
Other reserves	1,178
	1,685
Shareholders' funds	1,685

On 30th June, 1985 the Bank and its subsidiaries had outstanding the following undated floating rate notes, subordinated loan capital and long term borrowings:

	£'m	£'m
Undated floating rate notes		
The Bank		
Undated Floating Rate Primary Capital Notes (U.S.\$750m)		573
Subordinated loan capital		
The Bank		
7½% Subordinated Unsecured Loan Stock 1983/93	5	
10¾% Subordinated Unsecured Loan Stock 1993/98	31	
14% Subordinated Unsecured Loan Stock 2002/07	100	
	136	
Subsidiaries		
8¾% Guaranteed Bonds 1986 (U.S.\$21m)	16	
Guaranteed Floating Rate Notes 1989 (U.S.\$125m)	95	
† Guaranteed Floating Rate Notes 1990/91 (U.S.\$60m)	46	
† 4.6% Capital Notes 1989 (U.S.\$7m)	5	
8½% Guaranteed Bonds 1980/90 (DM 180m)	45	
Guaranteed Floating Rate Notes 1991 (U.S.\$150m)	115	
8¾% Guaranteed Bonds 1992 (U.S.\$60m)	46	
11½% Guaranteed Bonds 1992 (U.S.\$150m)	115	
Guaranteed Floating Rate Notes 1992 (U.S.\$150m)	115	
Guaranteed Floating Rate Notes 1993 (U.S.\$125m)	95	
Guaranteed Floating Rate Notes 1994 (U.S.\$75m)	57	
† 5¾% Convertible Subordinated Debentures 1996 (U.S.\$4m)	3	
Guaranteed Floating Rate Notes 1999 (U.S.\$200m)	153	
12¾% Guaranteed Notes due 2003 (U.S.\$150m)	115	
	1,021	
		1,730
Long term borrowings		
Subsidiaries		
9.9% Mortgage repayable 1985/97	3	
Borrowings at fixed rate between 6% and 9% repayable 1985/2002 (U.S.\$141m)	108	
Borrowings at fixed and variable rates between 6¼% and 16% repayable 1989/94 (FrFrs 1,533m)	127	
3¾% Bonds repayable 1991/92 (SwFrs 20m)	6	
	244	
		1,974

- (i) As a result of the increase of the Midland Bank group's common stock interest in Crocker National Corporation ("Crocker") in May, 1985 shareholders' funds increased by approximately £150 million.
- (ii) On 29th July, 1985 the Guaranteed Floating Rate Notes 1994 were redeemed. On 5th August, 1985 Midland International Australia Limited issued A\$50 million 13½% Guaranteed Notes due 1990, guaranteed on a subordinated basis by the Bank.
- (iii) All subordinated loan capital is repayable at par at maturity but some subordinated loan capital is repayable prior to maturity at the option of the borrower, in certain cases at a premium over par.
- (iv) The interest rates on the floating rate notes are related to London interbank rates and at 30th June, 1985 ranged from 8.0 per cent. to 10.4 per cent.
- (v) Of the subordinated loan capital issued by subsidiaries, all save those marked † are unconditionally guaranteed on a subordinated basis by the Bank.
- (vi) No account has been taken of liabilities between Midland Bank group companies.
- (vii) There has been no material change in the authorised or issued share capital of the Bank since 31st December, 1984.
- (viii) Subject as provided herein there has been no material change in the undated floating rate notes, subordinated loan capital and long term borrowings of the Bank and its subsidiaries since 30th June, 1985.

UNITED KINGDOM TAXATION

1. The Notes will constitute "quoted Eurobonds" within the terms of Section 35 of the Finance Act 1984, provided they remain in bearer form and continue to be quoted on a recognised stock exchange within the meaning of Section 535 of the Income and Corporation Taxes Act 1970. Accordingly, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where:—

- (a) the person by or through whom the payment is made is not in the United Kingdom. The Bank has been advised that in accordance with current Inland Revenue practice no withholding or deduction for or on account of United Kingdom income tax will be required where the payment of interest is made by an overseas paying agent, notwithstanding that the Bank is resident in the United Kingdom and will appoint a principal paying agent in the United Kingdom; or
- (b) the payment is made by or through a person who is in the United Kingdom and
 - (i) it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the person who is the beneficial owner of the Note and entitled to the interest is not resident in the United Kingdom, or where the interest is by virtue of any provision of the United Kingdom Taxes Acts deemed to be income of a person other than the person who is the beneficial owner of the Notes on a claim in that behalf made to the Commissioners of Inland Revenue by that other person that such other person is not resident in the United Kingdom; or
 - (ii) the Note and Coupon are held by one and the same person in a "recognised clearing system". Euro-clear and CEDEL S.A. have each been designated as a "recognised clearing system" for this purpose.

In all other cases, interest will be paid under deduction of United Kingdom income tax subject to such relief as may be available under the provisions of any relevant double taxation treaty.

2. A collecting agent in the United Kingdom obtaining payment elsewhere than in the United Kingdom on behalf of a holder of a Note or Coupon may be required to withhold or deduct for or on account of United Kingdom income tax unless it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the beneficial owner of the Note or Coupon is not resident in the United Kingdom.

3. The interest has a United Kingdom source and accordingly will be chargeable to United Kingdom tax by direct assessment even if the interest was paid without withholding or deduction. However, under current Inland Revenue practice, the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are not residents of the United Kingdom, except where such persons:—

- (a) are chargeable in the name of an agent in the United Kingdom; or
- (b) have a branch in the United Kingdom which has the management or control of the interest; or
- (c) seek to claim relief in respect of taxed income from United Kingdom sources; or
- (d) are chargeable to Corporation Tax on the income of a United Kingdom branch or agency to which the interest is attributable.

4. Noteholders should note that the provisions relating to additional payments referred to in Condition 7 of the Notes would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available under an appropriate double taxation treaty.

5. The Bank has been advised that payments of interest on the Notes will not constitute a distribution for United Kingdom tax purposes.

6. Noteholders may be subject to United Kingdom tax on a disposal of Notes if they are resident or ordinarily resident in the United Kingdom or if they carry on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. The exemption from United Kingdom tax on capital gains for "qualifying corporate bonds" within Section 64 of the Finance Act 1984 does not apply to the Notes.

The above represents a summary of current United Kingdom taxation law and practice; prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers.

SUBSCRIPTION AND SALE

Samuel Montagu & Co. Limited, Goldman Sachs International Corp., Merrill Lynch International & Co., Salomon Brothers International Limited, E F Hutton & Company (London) Ltd, IBJ International Limited, Morgan Guaranty Ltd, Morgan Stanley International, Orion Royal Bank Limited, Shearson Lehman Brothers International, Inc., Société Générale, Swiss Bank Corporation International Limited, Union Bank of Switzerland (Securities) Limited, S. G. Warburg & Co. Ltd., Amro International Limited, Bank of America International Limited, Bank of China, Bank of Tokyo International Limited, Bankers Trust International Limited, Banque Nationale de Paris, Barclays Merchant Bank Limited, Chase Manhattan Limited, Chemical Bank International Limited, Commerzbank Aktiengesellschaft, County Bank Limited, Creditanstalt-Bankverein, Dai-ichi Kangyo International Limited, Dresdner Bank Aktiengesellschaft, Fuji International Finance Limited, Generale Bank, HongkongBank Limited, Lloyds Merchant Bank Limited, LTCB International Limited, Mitsui Finance International Limited, Morgan Grenfell & Co. Limited, Nippon Credit International (Hong Kong) Ltd., Nomura International Limited, Paribas Limited, Sanwa International Limited and Takugin International Bank (Europe) S.A. (the "Managers") have, pursuant to a Subscription Agreement dated 29th August, 1985 (the "Subscription Agreement") jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to procure subscribers for the Notes as agents of the Bank (and in default thereof to subscribe) at 100 per cent. of the principal amount of the Notes, for a selling commission of 0.4 per cent. (plus United Kingdom Value Added Tax ("VAT") if applicable). The Bank has agreed to pay to the Managers a combined management and underwriting commission of 0.25 per cent. of the principal amount of the Notes (plus VAT if applicable). In addition, the Bank has agreed to reimburse the Managers for certain of their expenses (plus VAT if applicable) in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate such Agreement in certain circumstances prior to payment to the Bank.

The Managers, on behalf of the Bank, have invited certain banks, brokers and dealers (the "Selling Group") to subscribe Notes at 100 per cent. of their principal amount, for a selling commission of 0.4 per cent. subject to the Selling Restrictions (as defined in the Subscription Agreement).

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America. Accordingly, the Notes may not be offered or sold directly or indirectly in the United States or to any U.S. person (except to a member of the Selling Group in its capacity as a dealer or, on the terms set forth below, to a branch of a U.S. bank located outside the United States (a "U.S. bank branch")) as part of the distribution of the Notes. Any offers or sales of any of the Notes in the United States or to U.S. persons (other than as referred to above) prior to the date at the expiration of 90 days after completion of the distribution of the Notes as determined by Samuel Montagu & Co. Limited (the "Exchange Date") may violate United States laws. Notwithstanding the expiration of such period, any offers or sales of Notes in the United States or to U.S. persons must be made in compliance with the registration requirements of the Securities Act of 1933 of the United States of America or pursuant to an exemption therefrom. None of the Bank or the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and they do not make any representation as to when, if at any time, the Notes may lawfully be sold in the United States or to U.S. persons.

Each subscriber will represent and agree (A) in connection with the distribution of the Notes that it is not acquiring any Notes for the account of any U.S. person and has not offered or sold and will not offer or sell any Notes to be subscribed by it, directly or indirectly, in the United States or to any U.S. person (except a member of the Selling Group in its capacity as a dealer or, on the terms set forth below, to a U.S. bank branch) and (B) it will not, as principal or agent, offer or sell directly or indirectly any Notes, otherwise acquired, in the United States or to any U.S. person prior to the Exchange Date.

On certain conditions, which shall include delivery of an investment letter and the prior written approval of Samuel Montagu & Co. Limited, a member of the Selling Group may offer Notes endorsed with a legend referring to restrictions on distribution in minimum aggregate amounts of U.S.\$500,000 to U.S. bank branches.

Each subscriber will further agree that it will deliver to each dealer that purchases Notes acquired by it a written confirmation setting forth the restrictions on offers and sales of the Notes in the United States or to U.S. persons. A description of the restrictions on offers and sales of the Notes in the United States or to U.S. persons is contained in the Selling Restrictions.

The Notes will, at the Closing Date (which is expected to be 18th September, 1985) and until delivery of the Notes in definitive form, be wholly represented by a temporary global note (the "Temporary Global Note") without interest coupons, which will be deposited on the Closing Date with a common depository for Morgan Guaranty Trust Company of New York, as operator of the Euro-clear System ("Euro-clear"), and CEDEL S.A. for credit to the respective accounts of the Managers (or to such other accounts as they may direct) with Euro-clear and CEDEL S.A. The Temporary Global Note will be exchangeable for definitive Notes with coupons attached not earlier than the Exchange Date. On and after the Exchange Date, the exchange into definitive Notes will only be effected upon delivery of a certificate in the form set out in the Trust Deed that the beneficial owner is not a U.S. person. Any interest payable on the Temporary Global Note before the Exchange Date will be paid to Euro-clear or, as the case may be, CEDEL S.A. which will credit to the account of a person entitled to receive a definitive Note as shown by its records the amount of interest due on the Note but only upon receipt of a certificate in the form set out in the Trust Deed, not earlier than 15 days prior to the relevant Interest Payment Date, to the effect that the beneficial owner of the Note is not a U.S. person.

As used herein "United States" means the United States of America, its possessions, territories and all areas subject to its jurisdiction and "U.S. person" means any person who is a national or resident of the United States (including corporations, partnerships or other entities created in or organised under the laws of the United States or any political subdivision thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income).

In connection with the offering of the Notes, the Managers may, for their own account, over-allot or effect transactions with a view to stabilising or maintaining the market price of the Notes at levels above those which might otherwise prevail in the open market. Such transactions may be effected on The Stock Exchange, in any over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Save for having obtained approval of this document by the Council of The Stock Exchange in London under The Stock Exchange (Listing) Regulations 1984, no action is being taken or has been taken to permit the offering of the Notes, or the distribution of any document, in or from any jurisdiction where action would be required for such purposes. This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

The Notes may not be offered or sold in the United Kingdom by means of any document other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or as agent (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985 or by means of this Extel Card or a document which indicates, from where copies of the Extel Card may be obtained or where it may be inspected) nor may any offering material relating to the Notes (other than this Extel Card) be distributed in or from the United Kingdom (except by persons permitted to do so under the securities laws of the United Kingdom) otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent).

GENERAL INFORMATION

1. The listing of the Notes on The Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Notes on The Stock Exchange will be granted on or before 4th September, 1985 subject only to the issue of the Temporary Global Note. Pending such issue, however, dealings will be permitted by the Council of The Stock Exchange in accordance with its rules. Transactions on The Stock Exchange will normally be effected for settlement in U.S. dollars and for delivery on the fifth working day after the date of the transaction.

2. The Notes have been accepted for clearance through Euro-clear (reference No. 13675) and CEDEL S.A. (reference No. 283096).

3. The Bank and certain of its subsidiaries are defendants (or may be joined as defendants) in a number of legal actions mainly in the United States, some of which involve claims for substantial amounts. The directors of the Bank believe that the resolution of such litigation will not result in any significant effect on the financial position of the Bank and its subsidiaries taken as a whole (the "Midland Bank group").

Save as disclosed herein, neither the Bank nor any of its subsidiaries is engaged in legal or arbitration proceedings (nor, so far as the directors of the Bank are aware, are legal or arbitration proceedings threatened or pending against the Bank or any of its subsidiaries) which may have or have had during the previous twelve months a significant effect on the Midland Bank group's financial position.

4. On 1st August, 1985 the Bank announced a group pre-tax profit of £151 million (unaudited) for the six months ended 30th June, 1985 and an unchanged interim dividend of 11 pence per share was declared. The Chairman, Sir Donald Barron, said:—

"There have been significant improvements at the net interest, net operating income and trading profit levels. We have, however, felt it prudent to increase further our provisions for bad and doubtful debts but, nevertheless, profit before tax is substantially higher than last year. . . . Prediction of year-end profits is difficult in view of the continuing uncertainties in the world economy and in general trading conditions both in the UK and internationally. Our plan is to maintain the improvement seen so far this year to which all operating sectors have contributed."

On 23rd May, 1985 the outstanding common stock in Crocker not held by the Bank was converted into shares of adjustable rate preferred stock in the amount of U.S.\$224 million and from 24th May, 1985, therefore, the Bank's equity interest in Crocker has been 100 per cent. In a circular to shareholders dated 25th April, 1985 and issued in connection with the Crocker acquisition the Bank stated, *inter alia*, that:—

". . . (It is expected that, in relation to Crocker) earnings will remain depressed so long as Crocker's portfolio of non-performing assets remains at current levels. Given the uncertain economic environment in which many of Crocker's customers operate, both in the U.S. and overseas, there is the possibility of additional write-offs and loan loss provisions.

In the longer term, the Board of (the Bank) is confident that both Crocker and the Midland (Bank) group will benefit from the reduction in costs, concentration of resources and scope for rationalisation of Crocker's loan portfolio which full equity ownership by (the Bank) would permit. Under full ownership, Crocker should, in due course, make a satisfactory contribution to Midland (Bank) group profits."

On 31st July, 1985 the Bank purchased the 40 per cent. interest of Ætna Life and Casualty ("Ætna") in Samuel Montagu & Co. (Holdings) Limited for a consideration of U.S.\$135 million, thereby raising its interest in the Samuel Montagu group to 100 per cent. At the same time, Ætna acquired from the Midland Bank group a 100 per cent. interest in Montagu Investment Management Limited, a subsidiary of Samuel Montagu & Co. (Holdings) Limited, for a consideration of £45 million in the form of a loan instrument at a commercial rate of interest.

5. Since 31st December, 1984, the date to which the latest audited consolidated published accounts of the Bank and its subsidiaries were made up, and save as disclosed herein, there has been no significant change in the financial or trading position of the Bank and its subsidiaries, taken as a whole, nor has there been any material adverse change in the prospects or financial position of the Bank.

6. Ernst & Whinney, Chartered Accountants, have audited the Bank's annual accounts for each of the three financial years ended 31st December, 1984.
7. No repayment of the Notes for taxation reasons and no optional repayment of the Notes will be made without the prior consent of the Bank of England.
8. Copies of the following documents will be available for inspection during business hours on any weekday (Saturdays and public holidays excepted) at the offices of Coward Chance, Royex House, Aldermanbury Square, London EC2V 7LD until 13th September, 1985:—
 - (i) the Memorandum and Articles of Association of the Bank;
 - (ii) the published audited Annual Reports and Accounts of the Bank for the two years ended 31st December, 1984;
 - (iii) the interim unaudited results of the Bank as at 30th June, 1985;
 - (iv) drafts, subject to modification, of the Trust Deed (including the forms of the Temporary Global Note, the definitive Notes and the Coupons), of the Paying Agency Agreement and of the Agent Bank Agreement; and
 - (v) the Subscription Agreement.
9. Copies of the Annual Report and Accounts of the Bank in respect of each fiscal year subsequent to 31st December, 1984 will, so long as any Note is outstanding, be available to Noteholders at the specified office of each Paying Agent for the time being.
10. Subscribers or purchasers of Notes may be required to pay stamp duties or taxes and other charges in accordance with the laws and practices of the country of subscription or purchase in addition to the subscription price set out above.

HEAD AND REGISTERED OFFICE OF THE BANK

Midland Bank plc,
Poultry,
London EC2P 2BX

TRUSTEE

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Dated 29th August, 1985