



Midland Bank plc

(Incorporated with limited liability in England)

U.S.\$300,000,000

Undated Floating Rate Primary Capital Notes (Series 3)

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.\$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3) (the "Notes") will be payable semi-annually in arrear in each year at a rate of 0.10 per cent. per annum above the London inter-bank offered quotation for six-month U.S. dollar deposits for each Interest Period.

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

Bank of Tokyo International Limited
E F Hutton & Company (London) Ltd
Merrill Lynch Capital Markets
Morgan Stanley International
Shearson Lehman Brothers International

S. G. Warburg Securities

Bank of China
BankAmerica Capital Markets Group
Banque Nationale de Paris
Barclays de Zoete Wedd Limited
Commerzbank Aktiengesellschaft
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
Kidder, Peabody International Limited
LTCB International Limited
Mitsui Trust International Limited
Nomura International Limited
Prudential-Bache Securities International
Standard Chartered Merchant Bank
Swiss Bank Corporation International

Union Bank of Switzerland (Securities) Limited

Goldman Sachs International Corp.
IBJ International Limited
Morgan Guaranty Ltd
Salomon Brothers International Limited
Société Générale

Bank of Yokohama (Europe) S.A.
Bankers Trust International Limited
Banque Paribas Capital Markets Limited
Chase Investment Bank Limited
County NatWest Capital Markets Limited
DKB International Limited
Fuji International Finance Limited
Lloyds Merchant Bank Limited
Mitsui Finance International Limited
Nippon Credit International
Orion Royal Bank Limited
Sanwa International Limited
Sumitomo Trust International Limited
Takugawa International Bank (Europe) S.A.

MI-MN 63 MIDLAND BANK plc

(Incorporated with limited liability in England)
(Registered No. 14259)

U.S.\$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3)

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.\$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3) (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, sold, resold or delivered, 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.\$300,000,000 constituted by a trust deed dated 9th December, 1986 (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 9th December, 1986 (the "Paying Agency Agreement") made between the Bank and the Paying Agents referred to below and of an Agent Bank Agreement dated 9th December, 1986 (the "Agent Bank Agreement") made between the Bank and The Chase Manhattan Bank, 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 12,000 Notes are in bearer form serially numbered, 10,000 of which are in the denomination of U.S.\$10,000 and 2,000 of which are in the denomination of U.S.\$100,000, 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 11th December, 1986 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 be 0.10 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 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 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 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 0.10 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, 0.10 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.

(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 in respect of each Note shall be calculated by applying the Rate of Interest to the principal amount of such 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 after consultation with the Bank, 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 The Chase Manhattan Bank, 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:—

- (i) on the next Interest Payment Date, the Bank would be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (ii) if the Bank were to seek to repay the Notes (for which purpose no regard shall be had as to whether or not the Bank would otherwise be entitled to repay the Notes), the Bank would (notwithstanding its having made such endeavours as the Trustee shall consider reasonable) be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (iii) on the next Interest Payment Date the payment of interest in respect of the Notes would be treated as a "distribution" within the meaning of the Taxes Acts for the time being of the United Kingdom,

the Bank may at its option (subject to Condition 2), having given not less than 30 nor more than 45 days' notice to the Noteholders, repay 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 current Interest Period and all Arrears of Interest in respect of all the Notes.

Subject only to the obligation of the Bank to use such endeavours as aforesaid, it shall be sufficient, to establish the existence of the circumstances required to be established pursuant to this paragraph (b), if the Bank shall deliver to the Trustee a certificate of an independent legal adviser or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto) of the United Kingdom, which at the date of such certificate is proposed and which in the opinion of such

lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(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 June, 1992 at their principal amount. Upon the expiration of such notice and subject to Condition 2 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) 110 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 payment in respect of the Notes upon a winding up of the Bank in England, 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 in securities) 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 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 such withholding or deduction 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; 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 on the last day 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 have regard to the interests of the Noteholders as a class and in particular, but without limitation, 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, in giving such agreement, have regard to the interests of the Noteholders as a class and in particular, but without limitation, 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.\$299,250,000, will be employed for the conduct of the 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, 1985 the total assets of the Midland Bank group were £58 billion, of which the Bank constituted £33 billion. On a pro forma basis, adjusted for the sale of Crocker National Corporation (see Midland Bank group Results for the 6 months ended 30th June, 1986, Note 3) the total assets of the Midland Bank group would have amounted to £46 billion.

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:—

Name	Function within the Midland Bank group*	Principal Outside Activity
Sir Donald Barron, DL	Chairman	—
Sir Alex Jarratt, CB	Deputy Chairman	Chairman Smiths Industries PLC
Sir Kit McMahon	Deputy Chairman Group Chief Executive Deputy Chairman, Samuel Montagu & Co. (Holdings) Limited	—
Sir Patrick Meaney	Deputy Chairman	Chairman The Rank Organisation plc
Geoffrey W. Taylor	Vice Chairman	—
John A. Brooks	Deputy Group Chief Executive	—
Ernst W. Brutsche	Chief Executive, (Investment Banking Sector) Director, Samuel Montagu & Co. (Holdings) Limited	—
Sir Jack Callard	Non-Executive Director	—
Hervé de Carmoy	Chief Executive, (International Banking Sector) Director, Samuel Montagu & Co. (Holdings) Limited	—
Sir Kenneth Corfield	Non-Executive Director	—
Sir John Cuckney	Chairman, The Thomas Cook Group Limited	—
Ian F. Hay Davison	Non-Executive Director	—
Archibald W. Forster	Non-Executive Director	Chairman and Chief Executive Esso UK plc
Brian L. Goldthorpe	Chief Executive, (Corporate Banking Sector)	—
John G. Harris	Executive Director	—
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
Geoffrey Maitland Smith	Non-Executive Director	Chairman and Chief Executive Sears plc
Detta O' Cathain	Non-Executive Director	Director and General Manager of Milk Marketing, Milk Marketing Board
Ian Paterson	Chief Executive, (Retail Banking Sector) Director, Samuel Montagu & Co. (Holdings) Limited	—
Sir Eric Pountain	Non-Executive Director	Chairman and Chief Executive Tarmac plc

*Relates to the Bank unless otherwise stated

CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

On 31st December, 1985 the share capital and consolidated reserves of the Bank were as follows:

	<i>£'m</i>
Share Capital	
Authorised	
Shares of £1 each	265
	<u> </u>
Issued and credited as fully paid	
Shares of £1 each	231
	<u> </u>
Reserves	
Share premium	275
Other reserves	1,341
	<u> </u>
Shareholders' funds	1,847
	<u> </u>

On 31st October, 1986 the Bank and its subsidiaries had outstanding the following perpetual floating rate notes, subordinated loan capital and long term borrowings:

	<i>£'m</i>	<i>£'m</i>
Perpetual floating rate notes		
The Bank		
Undated Floating Rate Primary Capital Notes (U.S.\$750m)	532	
Undated Floating Rate Primary Capital Notes (U.S.\$500m)	355	
	<u> </u>	
Subsidiaries		
Convertible Undated Floating Rate Subordinated Notes (FrFr\$294m)	31	
	<u> </u>	918
Subordinated loan capital		
The Bank		
7½% Subordinated Unsecured Loan Stock 1983/93	5	
10¾% Subordinated Unsecured Loan Stock 1993/98	31	
Subordinated Floating Rate Notes 2001	250	
14% Subordinated Unsecured Loan Stock 2002/07	100	
	<u> </u>	386
Subsidiaries		
Guaranteed Floating Rate Notes 1989 (U.S.\$125m)	89	
† Guaranteed Floating Rate Notes 1990 (U.S.\$15m)	11	
† Guaranteed Floating Rate Notes 1991 (U.S.\$45m)	32	
8¾% Guaranteed Bonds 1992 (U.S.\$50m)	36	
11½% Guaranteed Bonds 1992 (U.S.\$150m)	107	
Guaranteed Floating Rate Notes 1992 (U.S.\$150m)	107	
6½% Guaranteed Bonds 1986/1996 (DM200m)	69	
Guaranteed Floating Rate Notes 1986/1998 (DM300m)	103	
Guaranteed Floating Rate Notes 1999 (U.S.\$200m)	142	
† Guaranteed Floating Rate Unsecured Loan Stock 2001	17	
† Guaranteed Floating Rate Series A to C Unsecured Loan Stock 2001	1	
12¾% Guaranteed Notes due 2003 (U.S.\$150m)	107	
	<u> </u>	821
	<u> </u>	2,125
Long term borrowings		
Subsidiaries		
9.9% Mortgage repayable 1986/97	3	
Borrowings at fixed and variable rates between 6¼% and 16% repayable 1986/94 (FrFr\$1,435m)	151	
3¾% Bonds repayable 1991/92 (SwFr\$20m)	8	
13½% Note repayable 1997	25	
	<u> </u>	187
	<u> </u>	2,312

Notes:

- (i) The undated floating rate notes of the Bank, which are only redeemable at the option of the Bank on any interest payment date falling not less than five years after the date of issue, have characteristics which render them similar in certain circumstances to preference shares.
- (ii) 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.
- (iii) The interest rates on the floating rate notes (other than the Convertible Undated Floating Rate Subordinated Notes) are related to London interbank rates. At 31st October, 1986 these rates ranged from 4.6875 per cent. to 11.5375 per cent. The interest rate on the Convertible Undated Floating Rate Subordinated Notes is related to the average monthly bond rates for new issues in the French market. The first annual rate will be determined before 31st December, 1986 on the basis of the average of such rates for months between 1st December, 1985 and 30th November, 1986. The right to convert the Convertible Undated Floating Rate Subordinated Notes may be exercised at any time from 1st January, 1990 until 31st December, 2005 on the basis of three ordinary shares of Midland Bank S.A. each with nominal value of FrFr\$100 for each FrFr\$1,000 Note.

- (iv) Of the subordinated loan capital issued by subsidiaries, all save those marked † are unconditionally guaranteed on a subordinated basis by the Bank.
- (v) Notice to redeem the Guaranteed Floating Rate Notes 1989 (U.S.\$125m) on 24th December, 1986 has been given.
- (vi) No account has been taken of liabilities between Midland Bank group companies.
- (vii) At the Annual General Meeting of the Bank held on 23rd April, 1986 the authorised share capital of the Bank was increased from £265,000,000 to £315,000,000 by the creation of 50,000,000 shares of £1 each. There has been no material change in the issued share capital of the Bank since 31st December, 1985.
- (viii) On 18th November, 1986 Trinkaus und Burkhardt KGaA ("Trinkaus") announced the issue of DM100 million 6% Bonds 1996 with equity warrants attached exercisable into bearer shares each of DM50 par value in Trinkaus. The issue is offered to shareholders of Trinkaus in proportion to their shareholdings, such offer closing on 8th December, 1986. Following payment on 9th December, 1986 the Bonds will form part of long-term borrowings.
- (ix) Subject as provided herein there has been no material change in the perpetual floating rate notes, subordinated loan capital and long term borrowings of the Bank and its subsidiaries since 31st October, 1986.

MIDLAND BANK GROUP RESULTS FOR THE 6 MONTHS ENDED 30th JUNE, 1986

The unaudited consolidated financial statements of the Midland Bank group for the six months ended 30th June, 1986 are as follows:—

Midland Bank group Results (Historical cost basis) (Unaudited)

	6 months ended 30 June, 1986 £m	6 months ended 30 June, 1985 £m	Year ended 31 December, 1985 £m
Profit before taxation			
Taxation	195	151	351
	92	90	207
Profit after taxation			
Minority interests	103	61	144
	(12)	(10)	(22)
Profit before extraordinary items			
Extraordinary items	91	51	122
	—	3	—
Profit attributable to members of Midland Bank plc			
Dividend	91	54	122
	27	25	59
Retained profit	64	29	63
Earnings per share	39.2p	22.5p	53.0p

Midland Bank group Abbreviated Consolidated Balance Sheet (Historical cost basis) (Unaudited)

Assets	7,502	9,007	8,728
Liquid assets	6,924	5,690	6,673
Other short-term assets	36,769	44,127	41,473
Advances and other accounts			
Trade investments and investments in associated companies	51,195	58,824	56,874
Premises and equipment	153	177	144
	838	1,071	1,056
	52,186	60,072	58,074
Liabilities			
Current, deposit and other customer accounts	46,266	54,664	52,461
Other short-term liabilities	1,530	1,022	1,080
Deferred taxation	47,796	55,686	53,541
Long-term borrowings	296	282	293
Subordinated loan capital	169	244	268
Perpetual floating rate notes	1,124	1,156	998
Minority interests	842	573	892
Shareholders' funds	69	286	235
	1,890	1,845	1,847
	52,186	60,072	58,074

Accounting Policies

There have been no changes to the accounting policies set out in the 1985 annual report and accounts.

Notes

1. Analysis of profit before taxation

	6 months ended 30 June, 1986 £m	6 months ended 30 June, 1985 £m	Year ended 31 December, 1985 £m
Interest receivable	2,905	3,090	5,958
Interest payable (including interest on perpetual floating rate notes, subordinated loan capital and long-term borrowings)	2,150	2,276	4,341
Net interest income	755	814	1,617
Other operating income	695	563	1,215
Operating income	1,450	1,377	2,832
Operating expenses:			
Staff	623	604	1,194
Premises and equipment	196	207	405
Other	242	246	474
	1,061	1,057	2,073
Trading profit before charge for bad and doubtful debts	389	320	759
Charge for bad and doubtful debts	210	182	431
Trading profit	179	138	328
Share of profits of associated companies	16	13	23
Profit before taxation	195	151	351

2. Taxation

The charge for taxation is based on the expected effective rate for the year.

3. Crocker National Corporation

On 7th February, 1986, Midland Bank plc announced that it had signed a definitive agreement for Wells Fargo & Company to acquire the Midland Bank group's 100% interest in Crocker National Corporation ("Crocker") for a base amount equal to the net assets of Crocker consolidated in the Midland Bank group accounts at 31st December, 1985, which amounted to U.S.\$1,072m, together with an adjustment relating to the period between determination of the base price and the date of completion of the sale. Following Midland Bank plc shareholder approval in April, 1986, the sale was completed on 30th May, 1986 for a final consideration of U.S.\$1,105m. Crocker's contribution, after sale expenses of £15m, included in profit before taxation for the six months ended 30th June, 1986 amounted to £15m (6 months to 30th June, 1985—£17m).

4. Provisions for bad and doubtful debts

Movements on provisions for bad and doubtful debts were as follows:—

	6 months ended 30 June, 1986 £m	6 months ended 30 June, 1985 £m	Year ended 31 December, 1985 £m
Provisions brought forward at 1st January	989	849	849
Currency translation adjustments	(6)	(59)	(93)
Charge for the period			
Specific—Domestic	53	66	142
—International	85	143	204
General	138	209	346
	72	(27)	85
	210	182	431
Amounts written off	(100)	(107)	(215)
Less recoveries	6	4	17
	(94)	(103)	(198)
Less provisions held by Crocker			
Specific	(22)	—	—
General	(145)	—	—
Provisions carried forward at 30th June	(167)	—	—
Specific—Domestic	301	253	282
—International	276	260	279
General	577	513	561
Total	355	356	428
	932	869	989

5. Greenwell Montagu & Co.

Midland Bank plc announced in April, 1986 that it had taken a 100% equity interest in W. Greenwell & Co., which has been renamed Greenwell Montagu & Co. The results reflect that interest from 14th April, 1986.

6. Abridged Information

The Midland Bank group results for the year ended 31st December, 1985 have been derived from the full accounts for that year which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified report.

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. 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 Note 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 of interest 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) have an agent or branch in the United Kingdom which has the management and control of the interest; or
- (b) seek to claim relief in respect of taxed income from United Kingdom sources; or
- (c) 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. Payments of interest on the Notes should not constitute distributions 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 the meaning of 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 and may not apply to certain classes of person; prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers.

SUBSCRIPTION AND SALE

Samuel Montagu & Co. Limited, Bank of Tokyo International Limited, Goldman Sachs International Corp., E F Hutton & Company (London) Ltd, IBJ International Limited, Merrill Lynch International & Co., Morgan Guaranty Ltd, Morgan Stanley International, Salomon Brothers International Limited, Shearson Lehman Brothers International, Inc., Société Générale, S. G. Warburg, Akroyd, Rowe & Pitman, Mullens Securities Ltd., Bache Securities (UK) Inc., Bank of America International Limited, Bank of China, Bank of Yokohama (Europe) S.A., Bankers Trust International Limited, Banque Nationale de Paris, Banque Paribas Capital Markets Limited, Barclays de Zoete Wedd Limited, Chase Investment Bank Limited, Commerzbank Aktiengesellschaft, County NatWest Capital Markets Limited, Deutsche Bank Capital Markets Limited, DKB International Limited, EBC Amro Bank Limited, Fuji International Finance Limited, Kidder, Peabody International Limited, Lloyds Merchant Bank Limited, LTCB International Limited, Mitsui Finance International Limited, Mitsui Trust International Limited, Nippon Credit International Limited, Nomura International Limited, Orion Royal Bank Limited, Sanwa International Limited, Standard Chartered Merchant Bank Limited, Sumitomo Trust International Limited, Swiss Bank Corporation International Limited, Takugin International Bank (Europe) S.A. and Union Bank of Switzerland (Securities) Limited (the "Managers") have, pursuant to a Subscription Agreement dated 3rd December, 1986 (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 0.15 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 0.10 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 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, sold, resold or delivered, directly or indirectly in the United States (as defined below) or to any U.S. person (as defined below) (except to a Manager 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, sales, resales or deliveries 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 law. Notwithstanding the expiration of such period, any offers, sales, resales or deliveries 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. Neither the Bank nor 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 offered, sold, resold or delivered in the United States or to U.S. persons.

Each Manager 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, sold, resold or delivered and will not offer, sell, resell or deliver any Notes acquired by it during the distribution of the Notes, directly or indirectly, in the United States or to any U.S. person (except to a Manager 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, sell, resell or deliver, 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 Manager 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 Manager will further agree that it will deliver (i) to each dealer that purchases Notes acquired by it a written confirmation setting forth the restrictions on offers, sales, resales and deliveries of the Notes in the United States and to U.S. persons and (ii) to each U.S. bank branch that purchases Notes acquired by it a written confirmation containing representations by the U.S. bank branch that, among other things, it will comply with section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code and that it is acquiring the Notes for its own account and not with a view to any distribution or disposition thereof. A description of the restrictions on offers, sales, resales and deliveries of the Notes in the United States or to U.S. persons is contained in the Selling Restrictions (as defined in the Subscription Agreement).

The Notes will, at the Closing Date (which is expected to be 11th December, 1986) 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 depositary 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 either (i) that the beneficial owner is not a U.S. person or (ii) that the beneficial owner is a U.S. bank branch that has delivered the investment letter and otherwise met the requirements specified for offers to U.S. bank branches set forth in the Selling Restrictions. 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 either (i) that the beneficial owner of the Note is not a U.S. person or (ii) that the beneficial owner is a U.S. bank branch that has delivered the investment letter and otherwise met the requirements specified for offers to U.S. bank branches set forth in the Selling Restrictions.

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

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 December, 1986 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. 18907) and CEDEL S.A. (reference No. 186508).
3. 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. Since 31st December, 1985, 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.
5. Ernst & Whinney, Chartered Accountants, have audited the Bank's annual accounts for each of the three financial years ended 31st December, 1983-1985.
6. No repayment of the Notes for taxation reasons, no optional repayment of the Notes, nor any purchase of the Notes by the Bank or any of its subsidiaries will be made without the prior consent of the Bank of England.
7. 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 18th December, 1986:—
 - (i) the Memorandum and Articles of Association of the Bank;
 - (ii) the published audited Annual Report and Accounts of the Bank for the two years ended 31st December, 1984 and 31st December, 1985;
 - (iii) the Circular to Shareholders dated 7th April, 1986 in connection with the proposed sale of the whole of the issued and outstanding common stock of Crocker National Corporation;
 - (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.
8. Copies of the Annual Report and Accounts of the Bank in respect of each fiscal year subsequent to 31st December, 1985 will, so long as any Note is outstanding, be available to Noteholders at the specified office of each Paying Agent for the time being.
9. 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

The Law Debenture Trust Corporation p.l.c.,
Estates House,
66 Gresham Street,
London EC2V 7HX

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD

Banque Bruxelles Lambert S.A.,
Avenue Marnix 24,
Brussels 1050

PAYING AGENTS
Chase Manhattan Bank
(Switzerland),
63 Rue du Rhône,
1204 Geneva

Chase Manhattan Bank Luxembourg S.A.,
47 Boulevard Royal,
Luxembourg

AGENT BANK
The Chase Manhattan Bank, N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD

LEGAL ADVISERS

to the Managers and the Trustee

Linklaters & Paines,
Barrington House,
59-67 Gresham Street,
London EC2V 7JA

to the Bank

Coward Chance,
Royex House,
Aldermanbury Square,
London EC2V 7LD

BROKERS

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Greenwell Montagu Securities,
Bow Bells House,
Bread Street,
London EC4M 9EL

AUDITORS

Ernst & Whinney,
Chartered Accountants
Becket House,
1 Lambeth Palace Road,
London SE1 7EU

Dated 3rd December, 1986