

INFORMATION MEMORANDUM



Midland Bank

Member HSBC Group

MIDLAND BANK PLC

(A company incorporated with limited liability in England with registered number 14259) /
as Issuer

DEBT ISSUANCE PROGRAMME

On 23 June 1994 Midland Bank plc established a Debt Issuance Programme (the "Programme"). This Information Memorandum supersedes any previous information memorandum. Any Notes (as defined below) issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions described herein. This does not affect any Notes already in issue.

Application has been made to the London Stock Exchange Limited (the "London Stock Exchange") for notes (the "Notes") issued during the period of twelve months after the date of this document under the Programme described in this document to be admitted to the Official List. This document comprises listing particulars issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 for the purpose of giving information with regard to the issue during the period of twelve months after the date of this document of Notes under the Programme. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of the Financial Services Act 1986. Application will be made, in certain circumstances (as described herein), to list Notes issued under the Programme on the **PARISBOURSE** ^{SEF} S.A. (the "PARISBOURSE").

For the sole purpose of listing Notes on the **PARISBOURSE**, the Information Memorandum has been submitted to the clearance procedures of the *Commission des Opérations de Bourse* (the "COB") and has been registered by the COB under registration no. P.99-296 on 24 June 1999.

Programme Arranger and Dealer

HSBC Markets

Dealer

HSBC Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

25 June 1999 /

Midland Bank plc (the "Bank" or the "Issuer") accepts responsibility 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 Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum is to be read and construed with any amendment or supplement hereto (this document, as amended or supplemented, the "Information Memorandum"), with, in relation to any issue of Notes, the pricing supplement (each a "Pricing Supplement") relating thereto and with all documents incorporated by reference provided always that any such amendment or supplement and any such documents incorporated by reference shall not form part of the listing particulars contained in this document. Any such document incorporated by reference has not been submitted to the clearance procedure of the COB.

The dealers named under "Subscription and Sale" below (the "Dealers", which expression shall include any additional dealers appointed under the Programme from time to time) and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 23 June 1994 between the Bank, Midland International Financial Services BV and the Trustee (such Trust Deed as modified and/or restated from time to time, the "Trust Deed")) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of this Information Memorandum or any document incorporated by reference herein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Information Memorandum or any documents incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of the Bank.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any documents incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Trustee or any of the Dealers.

Neither this Information Memorandum nor any documents incorporated by reference herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank, the Trustee or any of the Dealers that any recipient of this Information Memorandum or any document incorporated by reference herein should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit worthiness, of the Bank. No part of this Information Memorandum nor of any documents incorporated by reference herein constitutes an offer or invitation by or on behalf of the Bank, the Trustee or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

Neither the delivery of this Information Memorandum or any documents incorporated by reference herein or any Pricing Supplement nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained in the Information Memorandum is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank or its subsidiary undertakings during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Bank when evaluating the Notes.

The distribution of this Information Memorandum and any document incorporated by reference herein and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any document incorporated by reference herein or any Notes come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any document incorporated herein by reference, see "Subscription and Sale" below. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States to, or for the account or benefit of, U.S. persons (as defined in "Subscription and Sale" on page 44).

In this Information Memorandum and in relation to any Notes, references to the "relevant Dealers" are to whichever of the Dealers enters into an agreement for the issue of such Notes in accordance with the procedure set out in "Description of the Programme and Issue Procedure" below and references to the "relevant Pricing Supplement" are to the Pricing Supplement relating to such Notes.

All references in this Information Memorandum to "Midland" shall include the Bank and its subsidiary undertakings.

All references in this Information Memorandum to "£", "pounds", "Pounds Sterling" and "Sterling" are to the lawful currency of the United Kingdom, all references to "\$", "dollars", "US\$", "U. S.\$" "U.S.D" and "U.S. dollars" are to the lawful currency of the United States of America, all references to "JPY" and "Japanese Yen" are to the lawful currency of Japan, all references to "Deutsche Marks", "DM" and "DEM" are to the national currency unit of the Federal Republic of Germany, that has become a denomination of euro by reason of Council Regulation (EC) No. 1103/97, Council Regulation (EC) No. 974/98 and other applicable laws, and all references to "euro" and "EUR", are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

In connection with any Notes, the Dealer which is specified as the Stabilisation Agent in the relevant Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. All such transactions will be carried out in accordance with applicable laws and regulations.

TABLE OF CONTENTS

	<i>Page</i>
Documents Incorporated by Reference	3
Summary of the Terms and Conditions of the Notes	4
Description of the Programme and Issue Procedure	9
Summary of Provisions relating to Notes while in Global Form	11
Terms and Conditions of the Notes.....	13
Use of Proceeds.....	32
Midland Bank plc and its Subsidiary Undertakings	33
Directors of Midland Bank plc	38
Consolidated Capitalisation of Midland Bank plc	39
United Kingdom Taxation.....	40
Subscription and Sale.....	44
General Information	47

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:-

- (1) the most recent Annual Report and Accounts and Statement of Interim Results of the Bank published by it; and
- (2) all amendments and supplements to this Information Memorandum prepared from time to time by the Bank,

save that (i) any statement contained herein or in any Annual Report and Accounts or Statement of Interim Results of the Bank shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any subsequently published Annual Report and Accounts or Statement of Interim Results expressly or impliedly modifies or supersedes such earlier statement provided that any modifying or superseding statement does not form part of the listing particulars as contained in this document and (ii) any documents incorporated by reference do not form part of the listing particulars as contained in this document, in each case given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986.

Any document incorporated or deemed to be incorporated by reference herein has not been submitted to the clearance procedures of the COB.

The Bank will provide a copy of any or all of the documents incorporated herein by reference, without charge, to any person holding a copy of this Information Memorandum at the request of such person either in person or in writing at the Bank's registered office at 27/32 Poultry, London EC2P 2BX. So long as any Notes are listed on the **PARISBOURSE**, copies of any or all of the documents incorporated herein by reference will be available from the address in Paris specified for such purpose in the Pricing Supplement relating to such Notes.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

The following summary is qualified in its entirety by the remainder of this Information Memorandum:—

Issuer:	Midland Bank plc
Arranger:	HSBC Markets Limited. HSBC Markets Limited is Appointed Representative of Midland Bank plc.
Dealers:	Midland Bank plc, HSBC Trinkaus & Burkhardt KGaA and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes. At the date hereof, only a credit establishment or investment institution established in a member state of the European Union which is authorised to lead manage eurobond issues by the competent authority of its home state may (a) act as a dealer in respect of issues of Notes offered to the public in France and (b) act as lead manager of issues of Notes offered to the public in France.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent:	Midland Bank plc
Agent Bank:	Midland Bank plc
Registrar:	Midland Bank plc
London Listing Agent:	Midland Bank plc
Size:	The Notes will be issued on a continuous basis without limit as to the maximum aggregate principal amount of Notes from time to time outstanding.
Currencies:	<p>Notes may be denominated in any currency or currencies as may be set out in the relevant Pricing Supplement including, without limitation, euro, Hong Kong Dollars, Japanese Yen, Pounds Sterling, Swiss Francs and U.S. dollars, subject to all applicable consents being obtained and to compliance with all applicable legal and/or regulatory requirements. Payments in respect of Notes may, subject in each case to compliance as aforesaid, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.</p> <p>Issues of Notes offered in France will be made in compliance with the guidelines laid down by the letter dated 1 October 1998 from the Minister of the Economy, Finance and Industry to the <i>Président of the Association Française des Etablissements de Credit et des Entreprises d'Investissement</i> (the "French Minister of Economy Guidelines").</p> <p>As at the date hereof, Notes, the principal or interest in respect of which is linked to a benchmark or an index must be issued in compliance with the <i>Principes Généraux établis par la COB et le CMF relatifs à l'émission en France ou sur le marché international et à l'admission de warrants et d'obligations complexes</i> — the general guidelines established by the COB and the <i>Conseil des Marchés Financiers</i> (the "CMF") for the issue in France or on the international market of warrants and structured bonds and their admission to the first market of the PARISBOURSE ("<i>Principes Généraux</i>") — where such Notes are: (i) offered to the public in France and/or (ii) listed on the PARISBOURSE.</p>

Maturities:	No minimum or maximum maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements.
Issue Price:	Notes may be issued at par or at a premium or a discount to par and either on a fully or partly paid basis.
Interest:	Notes may bear interest on a fixed rate basis ("Fixed Rate Notes"), a floating rate basis ("Floating Rate Notes"), a variable basis ("Variable Coupon Amount Notes") or may be non-interest bearing ("Zero Coupon Notes").
Fixed Rate Notes:	<p>Interest on Fixed Rate Notes will be payable in arrear on such date or dates in each year as may be set out in the relevant Pricing Supplement.</p> <p>The basis on which interest shall be calculated on Fixed Rate Notes will be as set out in the relevant Pricing Supplement.</p>
Floating Rate Notes:	<p>Floating Rate Notes will bear interest calculated by reference to London Interbank Offered Rate ("LIBOR") or such other benchmark as may be set out in the relevant Pricing Supplement.</p> <p>The margin over or under LIBOR or such other benchmark will be set out in the relevant Pricing Supplement.</p> <p>Except as otherwise set out in the relevant Pricing Supplement, interest on Floating Rate Notes will be payable in arrear on the Interest Payment Dates specified in the relevant Pricing Supplement; Interest Periods will be of a duration of one, two, three, six or twelve months or such other duration as may be set out in the relevant Pricing Supplement.</p> <p>The basis on which interest shall be calculated on Floating Rate Notes will be as set out in the relevant Pricing Supplement.</p> <p>Floating Rate Notes may, if so set out in the relevant Pricing Supplement, bear interest at a minimum rate and/or a maximum rate.</p>
Variable Coupon Amount Notes:	The Pricing Supplement relating to an issue of Variable Coupon Amount Notes will set out the basis for calculating the amounts of interest payable in respect of such Notes, which may be by reference to a stock or commodity index, a currency exchange rate or any other index or formula or as otherwise set out in the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest.
Dual Currency Notes:	Payments in respect of dual currency Notes ("Dual Currency Notes") will be made in such currencies, and based on such rates of exchange, as set out in the relevant Pricing Supplement.
Other Notes:	Terms applicable to any other type of Note which the Issuer may issue under the Programme will be set out in the relevant Pricing Supplement. The term "Note" when used herein includes debt instruments, by whatever name called, issued by the Issuer under the Programme.
Issuance in Series:	Notes will be issued in series (each, a "Series"). Each Series may comprise one or more tranches (each, a "Tranche") issued on different issue dates. The Notes of each Series will all be subject to identical terms except that (i) the issue date and the

amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in bearer form ("Bearer Notes") and Notes in registered form ("Registered Notes") and Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Bearer Notes and Registered Notes and may comprise Notes of different denominations.

Redemption:

Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be set out in the relevant Pricing Supplement or may have no stated maturity date.

Early Redemption:

If so set out in the relevant Pricing Supplement relating to any Series of Notes, such Notes may be redeemed prior to their stated maturity at the option of the Issuer (other than for taxation reasons) and/or the Holders of such Notes subject to all applicable legal and/or regulatory requirements (including, in the case of Notes that are part of the regulatory capital of the Bank, the consent of the Financial Services Authority (or any successor authority in its function as supervisor of authorised institutions)). All Notes will be redeemable prior to their stated maturity for taxation reasons. The amount payable on redemption may be fixed or variable, as set out in the relevant Pricing Supplement.

Form of Notes:

Notes may be Bearer Notes or Registered Notes. Notes in bearer form will be issued in accordance with the provisions of United States Treasury Regulation 1.163-5(c)(2)(i)(D) ("Tefra D") unless the relevant Pricing Supplement provides that such Notes will be issued in accordance with the provisions of the United States Treasury Regulation 1.163-5(c)(2)(i)(C) ("Tefra C") or as such Pricing Supplement may otherwise provide. Except as otherwise provided in the relevant Pricing Supplement, in respect of each Tranche of Notes, the Issuer will deliver a temporary global Note (a "Temporary Global Note"), which will be deposited on or before the relevant issue date thereof with a depositary or a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and/or Cedelbank and/or (in the case of Notes listed on the **PARISBOURSE**) Sicovam S.A. and the *Intermédiaires Financiers habilités* authorised to maintain accounts therein (together, "Sicovam") and/or any other relevant clearing system or depositary approved by the Trustee (such approval not to be unreasonably withheld or delayed). Each Temporary Global Note will be exchangeable for a permanent global Note (a "Permanent Global Note") or, if so set out in the relevant Pricing Supplement, for Notes in definitive bearer form and/or (in the case of a Series comprising both Bearer Notes and Registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form and/or (in the case of a Series comprising Registered Notes or both Bearer Notes and Registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Notes in definitive bearer form will, if interest-bearing, either have interest coupons ("Coupons") attached and, if appropriate, a talon (a "Talon") for further Coupons or have a

grid for recording the payment of interest endorsed thereon and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon.

The following legend will appear on all Permanent Global Notes with maturities of greater than one year and all Definitive Notes:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

Denominations:	Notes will be issued in such denominations as are set out in the relevant Pricing Supplement subject to redenomination in accordance with Condition 9 and compliance with all applicable legal and/or regulatory requirements.
Redenomination:	If so specified in the relevant Pricing Supplement, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that any Notes denominated in a National Currency Unit (as defined in Condition 9) be redenominated into euro with effect from the Redenomination Date.
Payments in respect of Global Notes:	For so long as any Note is represented by a Global Note, payments of principal and interest in respect thereof will be made through Euroclear and/or Cedelbank and/or (in the case of Notes listed on the PARISBOURSE) Sicovam and/or such other clearing system or depositary as is set out in the relevant Pricing Supplement.
Payments in respect of Registered Notes:	Registered Notes will be issued without Coupons or Talons. Payments of principal and interest will be made to the registered Holder (or the first named thereof in the case of joint Holders) of a Registered Note.
Taxation:	Unless otherwise set out in the relevant Pricing Supplement, payments of principal and interest in respect of Notes will be made without deduction for or on account of United Kingdom withholding taxes, except as may be required by law, in which case additional amounts will be paid subject as mentioned in the "Terms and Conditions of the Notes".
Status of Notes other than Subordinated Notes and Undated Subordinated Notes:	The Notes of each Series (other than Subordinated Notes and Undated Subordinated Notes) will constitute direct, unsecured obligations of the Bank and will, at their date of issue, rank <i>pari passu</i> without any preference amongst themselves and with all other unsecured and unsubordinated obligations of the Bank other than obligations preferred by law.
Status of Subordinated Notes:	<p>The Notes of each Series of Subordinated Notes will constitute direct and unsecured obligations of the Bank and will rank <i>pari passu</i> without any preference amongst themselves. The rights of holders of Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of depositors and all other creditors of the Bank other than claimants in respect of Subordinated Indebtedness (as defined in the Trust Deed) in the manner provided in the Trust Deed.</p> <p>In certain circumstances, payments of principal and interest in respect of Subordinated Notes may be deferred.</p>

Status of Undated
Subordinated Notes:

The Notes of each Series of Undated Subordinated Notes will constitute direct and unsecured obligations of the Bank and will rank *pari passu* without any preference amongst themselves. The rights of holders of Undated Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of Prior Creditors (as defined in the Trust Deed) of the Bank in the manner provided in the Trust Deed. In the event of the winding up of the Bank, Undated Subordinated Notes will 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 such Notes together with Arrears of Interest and accrued interest had been converted into preference shares of £1 each in the capital of the Bank.

The Bank's obligation to make any payment of principal or interest in respect of Undated Subordinated Notes is conditional upon the Bank being able to make such payment and remain solvent (as defined in the Trust Deed) immediately thereafter.

In certain circumstances payments of interest in respect of Undated Subordinated Notes may be deferred.

Listing:

Each Series of Notes may be admitted to the Official List of the London Stock Exchange or listed on such other stock exchange or exchanges as may be agreed between the Issuer and the relevant Dealer and set out in the relevant Pricing Supplement ("Listed Notes") or may be unlisted ("Unlisted Notes").

The French Minister of Economy Guidelines recommend the listing of Notes on the **PARISBOURSE**, in particular, where such Notes are, or are intended to be, distributed as a public offer in the Republic of France.

Terms and Conditions:

A Pricing Supplement will be prepared in respect of each Tranche of Notes. A copy of such Pricing Supplement will, in the case of Notes listed on the London Stock Exchange, be delivered to the London Stock Exchange on or before the date of issue of such Notes. A copy of such Pricing Supplement will, in the case of Notes listed on the **PARISBOURSE**, be delivered to the COB on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Pricing Supplement.

Clearing Systems:

Euroclear, Cedelbank and/or (in the case of Notes listed on the **PARISBOURSE**) Sicovam and/or, in relation to any Notes, any other clearing system as may be set out in the relevant Pricing Supplement and approved by the Trustee.

Selling Restrictions:

There are restrictions on the sale of Notes and the distribution of offering material in certain jurisdictions including the United States, the United Kingdom, the Republic of France, Japan and the Federal Republic of Germany — see "Subscription and Sale" below. Further restrictions, including restrictions on transfer, may be required in connection with any particular Tranche of Notes and will be set out in the documentation relating to such Tranche.

Governing Law:

The Trust Deed, the Notes, the Coupons (if any), the Talons (if any) and all related contractual documentation will be governed by, and construed in accordance with, English law.

DESCRIPTION OF THE PROGRAMME AND ISSUE PROCEDURE

Notes may be issued from time to time if so agreed between the Issuer and any of the Dealers. Where such an agreement is reached, the Issuer and the relevant Dealer(s) shall, prior to the time of issue of the Notes to which such agreement relates, agree upon the following details (the "Details") in respect of such Notes which shall prevail in the event of conflict with the provisions of the Trust Deed:—

- (1) The aggregate principal amount of the Tranche of Notes to be issued.
- (2) If the relevant Dealer is acting on an agency basis, whether or not such issue is to be underwritten.
- (3) The currency in which such Notes are to be denominated.
- (4) The denomination of such Notes.
- (5) Whether or not such Notes are to be Subordinated Notes or Undated Subordinated Notes.
- (6) Whether such Notes are to be Listed Notes or Unlisted Notes and, if Listed Notes, on which stock exchange(s) they are to be listed.
- (7) The price (which, unless otherwise set out in the relevant Pricing Supplement, will be expressed as a percentage of the principal amount of such Notes) at which such Notes will be issued (the "Issue Price").
- (8) Whether the Issue Price of such Notes or the interest or redemption amounts payable in respect of the Notes are to be calculated by reference to an index, a currency exchange rate or any other benchmark or formula and, if so, the details of any such index, exchange rate, benchmark or formula and who is to effect the relevant calculation and any fallback provisions if such calculation is not made.
- (9) In the case of Dual Currency Notes, the exchange rate(s) or basis of calculating the exchange rate(s) to be used in determining the amount of principal and/or interest payable in the specified currency/currencies.
- (10) Any other terms with regard to Issue Price, interest and redemption amount applicable thereto.
- (11) The date on which such Notes will be issued (the "Issue Date").
- (12) In the case of Notes other than Floating Rate Notes, the date (if any) on which such Notes will be redeemed (the "Maturity Date") or whether such Notes are to be undated.
- (13) In the case of Floating Rate Notes, the month (the "Redemption Month") and year (if any) of the Interest Payment Date (as defined below) on which the Notes (unless previously redeemed or purchased and cancelled) will be redeemed or whether such Notes are to be undated.
- (14) The rate or rates, if any, at which such Notes will bear interest (the "Rate of Interest").
- (15) In the case of interest-bearing Notes, the date from which such Notes will bear interest (the "Interest Commencement Date").
- (16) In the case of Fixed Rate Notes, the date or dates in each year on which interest will be payable in respect of such Fixed Rate Notes.
- (17) In the case of Floating Rate Notes and, to the extent applicable, in the case of Variable Coupon Amount Notes:—
 - (a) the date or dates on which interest will be payable in respect of such Notes (each an "Interest Payment Date");
 - (b) the number of months between the Interest Commencement Date and the first Interest Payment Date and between successive Interest Payment Dates thereafter (each an "Interest Period");

- (c) the reference rate (and the source thereof) by reference to which the Rate of Interest in respect of any Interest Period is to be determined, whether LIBOR or any other benchmark and the date (the "Interest Determination Date") on which the reference rate is to be determined in relation to an Interest Period;
 - (d) the margin, if any, (expressed as a percentage per annum) over or under the reference rate referred to above by reference to which the Rate of Interest is to be determined which will be set out in the relevant Pricing Supplement;
 - (e) in the event that the reference rate in (c) cannot be determined, the alternative Rate of Interest applicable;
 - (f) the minimum interest rate, if any, at which such Notes will bear interest; and
 - (g) the maximum interest rate, if any, at which such Notes will bear interest.
- (18) In the case of Fixed Rate Notes and Floating Rate Notes, the basis on which interest shall be calculated, i.e. an actual/actual, actual/360, actual/365, actual/366, 360/360 or other year basis.
 - (19) In the case of Zero Coupon Notes the rate of discount, if any, applicable thereto.
 - (20) In the case of Zero Coupon Notes redeemable pursuant to Condition 6(g), the basis of the calculation of the redemption amount.
 - (21) In the case of Subordinated Notes and Undated Subordinated Notes, whether payment of principal and/or interest in respect thereof is to be subject to deferral in accordance with the provisions of Condition 2.
 - (22) Whether or not such Notes are to be redeemable prior to their stated maturity at the option of the Issuer (other than for taxation reasons) and/or the holders of the Notes, and, if so, the date(s) upon which redemption may occur and the redemption amount(s) for the Notes and the other terms for such redemption. All Notes are to be redeemable for taxation reasons.
 - (23) Whether such Notes are to be Bearer Notes or Registered Notes.
 - (24) Who is to bear the costs involved in preparing and delivering Definitive Notes as well as any other expenses in connection with the issue of the relevant Notes.
 - (25) Whether or not such Notes are to be fungible with any other Tranche of Notes previously issued or to be issued on the basis that no subsequently issued Tranche of Notes is to be fungible with them.
 - (26) Whether or not such Notes are to be delivered to Euroclear, Cedelbank, (in the case of Notes listed on the PARISBOURSE) Sicovam or other clearing system or depositary.
 - (27) Any other terms of such Notes which are not otherwise provided for in the Trust Deed or the Conditions or which are inconsistent with any terms so provided for.

On or prior to the Issue Date of a Series of Notes or a Tranche thereof, the Issuer shall prepare or cause to be prepared a Pricing Supplement recording the details of such Series or Tranche thereof and containing such other information relating to the Issuer or such Series of Notes or Tranche thereof (comprising, if appropriate, supplementary listing particulars required by the Financial Services Act 1986) as may be agreed between the Issuer and the relevant Dealer(s).

SUMMARY OF PROVISIONS RELATING TO NOTES WHILE IN GLOBAL FORM

Each Series or Tranche of a Series may at issue be represented by one or more Temporary Global Notes, which will be deposited on the Issue Date with a common depositary for Euroclear and/or Cedelbank and/or (in the case of Notes listed on the **PARISBOURSE**), Sicovam and/or such other clearing system or depositary as may be approved by the Trustee (such approval not to be unreasonably withheld or delayed) set out in the relevant Pricing Supplement.

Interests in a Temporary Global Note will be exchangeable (i) not earlier than forty days after the date of issue of the Notes (the **"Exchange Date"**) and upon certification as to non-U.S. beneficial ownership (as described below) for interests in a Permanent Global Note in bearer form and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Pricing Supplement) scheduled to the Trust Deed or (ii) if so set out in the relevant Pricing Supplement, for Notes in definitive bearer form (**"Definitive Notes"**) and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Pricing Supplement) scheduled to the Trust Deed and/or (iii) (in the case of a Series comprising Registered Notes or both Bearer Notes and Registered Notes and if so set out in the relevant Pricing Supplement) for Registered Notes in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Pricing Supplement) scheduled to the Trust Deed.

The forms of Global Note will contain provisions applicable to the Notes represented thereby, some of which may modify the effect of the Conditions of the Notes. Certain of these are summarised in this section.

For so long as a Series of Notes (or any part thereof) is represented by a Global Note, each person who has for the time being a particular principal amount of the Notes of such Series so represented credited to his securities account in the records of Euroclear or Cedelbank or (in the case of Notes listed on the **PARISBOURSE**) Sicovam or such other clearing system or depositary as set out in the relevant pricing Supplement shall be treated as the Noteholder in respect of that principal amount of the relevant Series for all purposes other than for the purposes of payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed (and the expressions **"Noteholder"** and **"Holder"** of the Notes and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Cedelbank, (in the case of Notes listed on the **PARISBOURSE**) Sicovam or of such other clearing system or depositary, as the case may be.

Principal and interest (if any) payable with respect to a Temporary Global Note or a Permanent Global Note will be paid to Euroclear and/or Cedelbank and/or (in the case of Notes listed on the **PARISBOURSE**) Sicovam and/or such other clearing system or depositary as set out in the relevant Pricing Supplement with respect to that portion of such Global Note which is held for its account (subject, in the case of a Temporary Global Note, to the certifications as provided therein). Each of Euroclear and/or Cedelbank and/or (in the case of Notes listed on the **PARISBOURSE**) Sicovam and/or such other clearing system or depositary will in such circumstances credit the principal or, as the case may be, interest in respect of such Global Note to the persons credited in its records with an interest in such Global Note.

For so long as a Series of Notes or any Tranche thereof is represented in its entirety by one or more Global Notes and such Global Notes are held on behalf of a clearing system or depositary, notices to Noteholders of that Series or Tranche may be given by delivery of the relevant notice to that clearing system or depositary for communication by it to entitled accountholders in substitution for publication as required by the Conditions of the Notes, subject to any applicable stock exchange requirements in the case of Listed Notes. Any such notice shall be deemed to have been given to such accountholders on the seventh day after the day on which the said notice was given to the relevant clearing system or depositary.

An exchange of a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as set out in the relevant Pricing Supplement) and provided certification as to the beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in

such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received. An exchange for Registered Notes will be made at any time without any requirement for certification, subject as set out in the relevant Global Note or Pricing Supplement.

The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole or in part) for a Permanent Global Note or for delivery of Definitive Notes and/or Registered Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

If any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received by Euroclear or Cedelbank or (in the case of Notes listed on the **PARISBOURSE**) Sicovam or any other relevant clearing system or depositary. Payments of amounts due in respect of a Permanent Global Note will be made through any of Euroclear or Cedelbank or (in the case of Notes listed on the **PARISBOURSE**) Sicovam or any other relevant clearing system or depositary without any requirement for certification.

Interests in a Permanent Global Note will be exchanged, at the cost and expense of the Issuer, by the Issuer in whole (but not, subject to (b) below, in part only), (a) at the option of the holder of such Permanent Global Note, for Definitive Notes and/or (in the case of a Series comprising Registered Notes or both Bearer Notes and Registered Notes and if so set out in the relevant Pricing Supplement) Registered Notes, (i) if the Notes of the relevant Series become immediately repayable in accordance with Condition 10, or (ii) if any of Euroclear or Cedelbank or (in the case of Notes listed on the **PARISBOURSE**) Sicovam or any other relevant clearing system or depositary is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, or (b) at the option of the Issuer if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form or, as the case may be, in registered form (and, in the case of partly paid Notes, the Issuer may elect to effect such exchange in part only).

TERMS AND CONDITIONS OF THE NOTES

The following (disregarding the italicised note below at the end of Conditions 2(b), 2(d) and 10(b)) is the text of the terms and conditions applicable to the Notes, which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement(s), will be incorporated by reference into each Global Note and which will be endorsed on the Notes in definitive form (if any) issued in exchange for Global Notes representing each Tranche, details of the relevant Tranche being as set out in the relevant Pricing Supplement. The Pricing Supplement(s) in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such terms and conditions, replace or modify the following terms and conditions for the purpose of such Tranche.

This Note is one of a Series of Notes (the "**Notes**") issued pursuant to the debt issuance programme (the "**Programme**") established by Midland Bank plc (the "**Bank**") and is constituted by and issued subject to and with the benefit of a Trust Deed dated 23 June 1994 (such Trust Deed as modified and/or restated from time to time, the "**Trust Deed**") made between, amongst others, the Bank and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**" which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 23 June 1994 (such Agreement as modified and/or restated from time to time, the "**Agency Agreement**") made between, amongst others, the Bank, the Principal Paying Agent (the "**Principal Paying Agent**" which expression shall wherever the context so admits include its successors as such, and, together with any successor or additional paying agent appointed in respect of any Notes, the "**Paying Agents**"), the Registrar (the "**Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of any Notes), the Agent Bank (the "**Agent Bank**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of any Notes) each named therein and the Trustee. The initial Principal Paying Agent, the initial Registrar and the initial Agent Bank are named below. The Trustee shall exercise the duties, power, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent and the other Paying Agents (if any) appointed from time to time pursuant to the terms of the Agency Agreement. The Holders (as defined below) for the time being of Notes (the "**Noteholders**") and of any coupons ("**Coupons**") or talons ("**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

References in these terms and conditions (the "**Conditions**") to "**Notes**" shall, where the context so requires include the temporary global Notes, the permanent global Notes, subordinated Notes ("**Subordinated Notes**"), undated subordinated Notes ("**Undated Subordinated Notes**"), Notes which are not subordinated and such other Notes as may from time to time be issued under the Programme, as the case may be, and the term "**Notes**" includes debt instruments, by whatever name called, issued under the Programme. References to the "**Issuer**" means the Bank in its capacity as issuer of Notes under the Programme. All Notes will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche will be the subject of a pricing supplement (each, a "**Pricing Supplement**"), a copy of which will be attached to or incorporated by reference in each Note of such Tranche. Subject as set out in the relevant Pricing Supplement, all Notes issued pursuant to the Programme on the same date, denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and issued on identical terms will constitute one Tranche of Notes.

1. Form, Denomination and Title

(a) Form

Notes are issued in bearer form ("**Bearer Notes**") and/or in registered form ("**Registered Notes**") as set out in the relevant Pricing Supplement. Bearer Notes issued in definitive form are referred to as "**Definitive Notes**". Definitive Notes will be serially numbered.

Interest-bearing Definitive Notes will, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery Coupons, presentation of which will be a

prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Definitive Notes will also, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery, a Talon for further coupons and the expression "**Coupons**" shall, where the context so permits, include Talons.

Notes the principal amount of which is repayable by instalments ("**Instalment Notes**") which are Definitive Notes will have endorsed thereon a grid for recording the repayment of principal or will, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the relevant Pricing Supplement and any further or alternative terms applicable thereto shall be as set out in the relevant Pricing Supplement.

(b) Denomination

Subject to Condition 9, Bearer Notes will be in the denomination(s) (each of which denominations must be integrally, divisible by each smaller denomination) set out in the relevant Pricing Supplement. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination. Registered Notes will be in the denomination(s) and multiples set out in the relevant Pricing Supplement.

(c) Title

Title to Registered Notes passes by registration in the register which is kept by the Registrar. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons and references herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the register.

To the extent permitted by law, the Bank, the Principal Paying Agent, any other Paying Agents, the Agent Bank and the Registrar may deem and treat the Holder of any Bearer Note or of any Coupon and the person in whose name any Registered Note is registered (and, if more than one, the first named thereof) as the absolute owner thereof (whether or not such Note shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for other purposes.

2. Status

(a) Claims in Respect of Notes

The Notes of each Series (other than Subordinated Notes and Undated Subordinated Notes) constitute direct, unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other unsecured and unsubordinated obligations of the Issuer other than any such obligations preferred by law.

The Notes of each Series of Subordinated Notes constitute direct, unsecured obligations of the Bank ranking *pari passu* without any preference among themselves. The rights of Holders of Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of depositors and all other creditors of the Bank other than claimants in respect of Subordinated Indebtedness (as defined in the Trust Deed) in the manner provided in the Trust Deed.

The Notes of each Series of Undated Subordinated Notes constitute direct, unsecured obligations of the Bank ranking *pari passu* without any preference among themselves. The rights of Holders of Undated Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of Prior Creditors (as defined in the Trust Deed) of the Bank. In the event of the winding up of the Bank in England, such Notes shall be treated as if at the close of business on the business day in London 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 accrued interest had been converted into Preference Shares, where appropriate, at the rate of exchange ruling on such preceding business day according to the terms set out in Condition 10.

"**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.

Claims in respect of any Notes or Coupons may not be set off, or be the subject of a counterclaim, by the Holder against or in respect of any obligations of his to the Issuer, the Trustee or any other person.

(b) Undated Subordinated Notes: Condition of Payment

The Bank's obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon the Bank being able to make such payment and remain Solvent (as defined in the Trust Deed) immediately thereafter.

NB: If the Bank would not otherwise be Solvent (including liabilities to creditors other than senior creditors) principal and interest on the Undated Subordinated Notes may be used to absorb further losses.

(c) Undated Subordinated Notes: Deferral of Interest

Where during the twelve months preceding a date on which interest is due to be paid in respect of any Series of Undated Subordinated Notes no dividend has been declared or paid on any class of share capital of the Bank, such due date shall be referred to as an **"Optional Interest Payment Date"**.

The Bank may if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the relevant Undated Subordinated Notes and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute **"Arrears of Interest"**.

In relation to any Series of Undated Subordinated Notes, 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 Holders of the Notes of such Series in accordance with Condition 14, but payment in respect of interest periods during which Arrears of Interest have accrued shall be made taking the earliest interest period first. Arrears of Interest shall otherwise only become payable, subject to Condition 2(b), on (i) the due date for repayment of the Notes to which such Arrears of Interest relate 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 any Arrears of Interest, the Bank shall be obliged, subject to Condition 2(b), 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 14:

- (i) not more than 14 days 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 on which Arrears of Interest shall have become payable.

(d) Subordinated Notes: Deferral of Payments

In the case of Subordinated Notes in relation to which this Condition 2(d) is specified in the relevant Pricing Supplement as applying, the Bank shall be entitled, by notice in writing to the Trustee (a **"Deferral Notice"**), to defer the due date for payment of any repayment of principal or payment of interest in respect of such Notes, and, accordingly, on the giving of such Notice the due date for payment of the relevant repayment or payment (the **"Deferred Payment"**) shall be so deferred and the Bank shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Bank. The Bank may not give a Deferral Notice except in circumstances where the Financial Services Authority (or any successor authority in its function as supervisor of authorised institutions) has required or requested the Bank to defer payment of the relevant Deferred Payment. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Conditions and the Trust Deed, save that such interest shall only become due and payable

at such time as the principal in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that the Financial Services Authority (or any successor authority in its function as supervisor of authorised institutions) will not object to the payment of the whole or any part of any Deferred Payment, the Bank shall give to the Trustee written notice thereof (the **"Payment Notice"**) and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such notice to the Trustee. The Bank shall promptly give notice to the Holders of the relevant Series of Notes in accordance with Condition 14 of any Deferral Notice or Payment Notice.

NB: In the case of Notes which constitute Tier 3 capital, the Financial Services Authority requires to be notified by the Bank if its total eligible capital falls below its target capital requirement and the Financial Services Authority may require deferral of payment of principal and interest in respect of such Notes in such circumstances.

3. Interest on Fixed Rate Notes

Notes bearing interest at a fixed rate (each a **"Fixed Rate Note"**) will bear interest on the principal amount (or, in the case of Partly Paid Notes, the principal amount paid up in respect thereof) of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) at the applicable fixed rate or rates per annum specified in the relevant Pricing Supplement as the rates of interest (each a **"Rate of Interest"**) from the date specified in the relevant Pricing Supplement as the interest commencement date (the **"Interest Commencement Date"**). Interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement (each a **"Fixed Interest Payment Date"**) and on the date specified in the relevant Pricing Supplement as the date on which such Notes are to be redeemed (the **"Maturity Date"**). The first payment of interest will be made on the first Fixed Interest Payment Date following the Interest Commencement Date.

Interest will cease to accrue on each Fixed Rate Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount, as defined in Condition 6) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Fixed Rate Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Fixed Rate Note that sufficient funds for payment of the principal amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent or the Trustee or, in the case of a Registered Note, the date on which payment in full is made.

In respect of Fixed Rate Notes, the basis on which interest is calculated is as set out in the relevant Pricing Supplement.

4. Interest on Floating Rate Notes

(a) Accrual of Interest

Notes bearing interest at a floating rate (each a **"Floating Rate Note"**) bear interest on the principal amount (or, in the case of Partly Paid Notes, the principal amount paid up in respect thereof) of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) from the Interest Commencement Date specified in the relevant Pricing Supplement.

Interest will cease to accrue on each Floating Rate Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Note that sufficient funds for

payment of the principal amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent or the Trustee or, in the case of a Registered Note, the date on which payment in full is made.

In respect of Floating Rate Notes, the basis on which interest is calculated is as set out in the relevant Pricing Supplement.

(b) Interest Payment Dates and Interest Periods

Interest on each Floating Rate Note will be payable in arrear on such dates as are specified in the relevant Pricing Supplement for such purpose and on the due date for redemption of such Note (each, an **"Interest Payment Date"**) provided that, unless otherwise set out in the relevant Pricing Supplement, 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 which event the Interest Payment Date shall be the immediately preceding Business Day. The first payment of interest will be made on the first Interest Payment Date following the Interest Commencement Date.

The period from (and including) the Interest Commencement Date up to (but excluding) the first Interest Payment Date and each period thereafter from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date is referred to herein as an **"Interest Period"** and the expression **"Business Day"**, as used in this Condition 4(b), shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) specified for this purpose in the relevant Pricing Supplement and, in the case of Notes denominated in, or in respect of which interest is payable in: (i) euro, a day which is a Euro Business Day as defined in Condition 9 or (ii) any other currency, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 9) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centre or centres).

(c) Rate of Interest

The rate at which Floating Rate Notes will bear interest (the **"Rate of Interest"**) shall be determined by the Agent Bank on the basis of the following provisions:

- (i) the Rate of Interest in respect of an Interest Period shall, subject as provided below, be the Relevant Rate of the Benchmark (where such Relevant Rate is a composite quotation or interest rate per annum or is customarily supplied by one entity) or the arithmetic mean rounded upwards, if necessary, to the nearest 0.00001 per cent. of the Relevant Rates of the Benchmark for the Interest Period which appear on the appropriate page of the Reuters Screen, Telerate (as defined below) or such other information vending service as may be set out in the relevant Pricing Supplement as at 11.00 a.m. (London time) or such other time as may be specified in the relevant Pricing Supplement on the Interest Determination Date (as defined below) plus or minus (as appropriate) the percentage rate per annum (if any) over or under the Relevant Rate or, as the case may be, arithmetic mean of the Relevant Rates of the Benchmark by which the Rate of Interest is to be determined as set out in the relevant Pricing Supplement (the **"Margin"**), all as determined by the Agent Bank;
- (ii) if the Reuters Screen, Telerate or such other information vending service as may be set out in the relevant Pricing Supplement does not contain an appropriate page in respect of the specified currency, or if fewer than two of the Relevant Rates appear at such time (other than where such Relevant Rate is a composite quotation or rate or is customarily supplied by one entity), or if the rates which appear as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall be calculated as set out in the relevant Pricing Supplement;
- (iii) In this Condition 4(c) and in Condition 4(d) below only:
 - (a) the **"Benchmark"** means LIBOR or such other benchmark as may be set out in the relevant Pricing Supplement;

(b) **"Relevant Rate"** means:

- (A) an offered rate in the case of a Note the Benchmark for which relates to an offered rate; or
- (B) a bid rate in the case of a Note the Benchmark for which relates to a bid rate; or
- (C) the mean of an offered and bid rate in the case of a Note the Benchmark for which relates to the mean of an offered and bid rate,

as set out in the relevant Pricing Supplement;

- (c) the expression **"Interest Determination Date"** means the day determined by the Agent Bank to be customary for fixing the Benchmark rate applicable to deposits in the relevant currency for the relevant Interest Period being a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or, in the case of euro, a Euro Business Day or, where such currency is a National Currency Unit (as defined in Condition 9) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centre or centres) and, unless otherwise specified in the relevant Pricing Supplement, in London; and
- (d) the expression **"the appropriate page of the Reuters Screen, Telerate"** means such page, whatever its designation, on which the Benchmark rates for deposits in the relevant currency of prime banks are for the time being displayed on the Reuters Monitor Money Rates Services or the Dow Jones Telerate Service.

(d) Determination of Rate of Interest and Calculation of Interest Amount

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) or such other time as may be set out in the relevant Pricing Supplement on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable in respect of each denomination of the relevant Floating Rate Notes (the **"Interest Amount"**) for the relevant Interest Period.

The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount (or, in the case of a Partly Paid Note, the principal amount paid up in respect thereof) of the relevant Note of each denomination, multiplying the product by the day count fraction set out in the relevant Pricing Supplement and rounding the resulting figure to the nearest applicable sub-unit of the currency in which such Note is denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

(e) Notification of Rate of Interest and Interest Amount

The Agent Bank will cause the Rate of Interest, the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, (in the case of Listed Notes) the stock exchange on which such Notes are for the time being listed and, for as long as such Notes are represented by Global Notes, Euroclear and/or Cedelbank and/or (in the case of Notes listed on the PARISBOURSE) Sicovam or such other clearing system or depository as may be set out in the relevant Pricing Supplement as soon as possible after the determination thereof but in any event no later than the fourth business day thereafter. In respect of Floating Rate Notes which are Definitive Notes, the Agent Bank will give notice to the Noteholders of the Rate of Interest, the Interest Amount and the relevant Interest Payment Date in accordance with the provisions of Condition 14. The Interest Amount and the Interest Payment Date so notified in respect of any Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which such Notes are for the time being listed.

(f) Determination or Calculation by the Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest or calculate the Interest Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing

provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) Certificates, etc. to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 4 whether by the Agent Bank or the Trustee shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, (where appropriate) the Registrar and the Holders of Notes and of the Coupons appertaining thereto. No Holder of Notes or of the Coupons appertaining thereto shall be entitled to proceed against the Agent Bank, the Trustee, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

5. Variable Coupon Amount Notes and Zero Coupon Notes

In the case of Notes which bear interest at a variable rate or rates ("**Variable Coupon Amount Notes**"), the dates on which interest shall be payable and the method of calculation of the interest payable on each such date shall be as set out in the relevant Pricing Supplement.

If any amount in respect of any Note which is non-interest bearing (a "**Zero Coupon Note**") is not paid when due, interest shall accrue on the overdue amount at a rate determined in accordance with the provisions of the relevant Pricing Supplement.

6. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled and subject as otherwise set out in the relevant Pricing Supplement, Notes will be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the relevant Pricing Supplement on the Maturity Date specified in the relevant Pricing Supplement (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement). In the case of Notes specified in the relevant Pricing Supplement as being undated, such Notes shall have no Maturity Date and shall be redeemed only in accordance with this Condition 6 or Condition 10.

(b) Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that:

- (i) on a subsequent date for the payment of interest on any Series of Notes the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (ii) if the Issuer were to seek to redeem the Notes (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer 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,

the Issuer may, having given not less than 30 nor more than 45 days notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of the Notes, at their principal amount or such other redemption amount as may be set out in the relevant Pricing Supplement together with interest accrued and unpaid, if any, to the date fixed for redemption provided that no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the aggregate of the number of days in the then current Interest Period plus 60 days provided that such aggregate number of days shall not be greater than 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may exercise such option in respect of any Note notwithstanding the prior exercise by

the Holder thereof of its option to require the redemption of such Note under paragraph (d) below, if the due date for redemption under this paragraph (b) would occur prior to that under paragraph (d) but not otherwise and, in such circumstances, the exercise of the option under paragraph (d) shall be rendered ineffective.

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient, to establish the circumstances required to be established pursuant to this Condition 6(b), if the Issuer shall deliver to the Trustee a certificate of an independent legal adviser or accountant satisfactory to the Trustee to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of the United Kingdom, which at the date of such certificate is proposed and in the opinion of such legal adviser 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) Redemption at the Option of the Issuer

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Issuer. In such case, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Pricing Supplement, on giving (in accordance with Condition 14) not less than 30 nor more than 60 days' notice (or such other period as set out in the relevant Pricing Supplement) to the Noteholders (such notice being irrevocable) specifying the date fixed for such redemption, on the date so fixed, redeem all of such Notes (or if so specified in the relevant Pricing Supplement and subject as therein specified, some only of the Notes) at their principal amount or such other amount as set out in the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

If the Notes of a Series are to be redeemed in part only on any date in accordance with this paragraph (c):

- in the case of Bearer Notes (other than a temporary global Note or permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent and the Trustee may approve and deem appropriate and fair; and
- in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 13 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

(d) Redemption at the Option of the Noteholders

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Noteholders. In such case, upon any Noteholder giving to the Issuer notice of redemption (such notice being irrevocable) the Issuer will, in accordance with the provisions set out in the relevant Pricing Supplement, redeem in whole (but not in part) the Note(s) specified in such notice at their principal amount or such other amount as may be set out in or determined in accordance with the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

In order to give such notice, the Holder must, not less than 45 days before the date for redemption as set out in the relevant Pricing Supplement (or such other period as may be set out in the Pricing Supplement), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any

Paying Agent, or, in the case of a Registered Note, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b) or (c).

(e) Purchases

The Bank or any holding or subsidiary company of it or any subsidiary of any such holding company may at any time purchase Notes at any price in the open market or otherwise and may resell the same.

(f) Cancellation

All Notes redeemed pursuant to paragraph (a), (b), (c) or (d) of this Condition 6 shall, and all Notes purchased pursuant to paragraph (e) of this Condition 6 may, at the option of the Issuer, be cancelled forthwith (together with, in the case of Definitive Notes, all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith) by the Paying Agent through which they are redeemed or by the Principal Paying Agent to which they are surrendered. All Notes redeemed or purchased and cancelled as aforesaid may not be re-issued or resold.

(g) Zero Coupon Notes

Where Zero Coupon Notes are redeemed by the Issuer prior to the Maturity Date set out in the relevant Pricing Supplement, they shall be redeemed at a redemption amount determined in accordance with the provisions set out in the relevant Pricing Supplement.

(h) Other Redemption Provisions

The relevant Pricing Supplement may provide for other circumstances in which Notes may or shall be redeemed, the amount payable on such redemption in respect of principal only, principal and interest or interest only and whether or not Notes so redeemed shall or may be cancelled pursuant to paragraph (f) of this Condition 6.

7. Taxation

Except as otherwise set out in the relevant Pricing Supplement, all payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom (or any authority or political subdivision therein or thereof having power to tax) unless the Bank is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In that event, the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by the Noteholders or Couponholders, as the case may be, after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes and/or, as the case may be, Coupons, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon 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
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to a Paying Agent or the relevant tax authorities (as applicable) or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent; or

- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (d) in the case of Registered Notes, unless the Holder, immediately upon becoming the Holder, (i) is eligible for the benefits of a tax treaty with the United Kingdom that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) is otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Noteholders in accordance with Condition 14.

Any reference in these Conditions to principal or interest or both in respect of the relevant Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under this Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date specified in the relevant Pricing Supplement;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

8. Payments

(a) Bearer Notes

Payments of principal and interest (if any) in respect of Bearer Notes will (subject as provided below) be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Note or, in the case of payments of interest, surrender of the relevant Coupon at the specified office of any Paying Agent outside the United States (subject to the next paragraph).

Payments of amounts due in respect of interest on Bearer Notes and exchanges of Talons for Coupon sheets will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law, in which case the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and a local banking day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3, 4 or 5, as appropriate.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note which is a Definitive Note with Receipts will be made against presentation of the Note together with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Note to which they appertain will not represent any obligation of the Issuer. Accordingly, the presentation of a Note without the relative Receipt or the presentation of a Receipt without the Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

Upon the due date for redemption of any Definitive Note other than a Fixed Rate Note all unmatured Coupons and Talons (if any) relating to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of them.

Definitive Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7) for the payment of such principal, whether or not such Coupon has become void pursuant to Condition 11 or, if later, five years from the date on which such Coupon would have become due.

Notwithstanding the above, if any Definitive Notes should be issued with a Maturity Date and an interest rate or rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that the amount required to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

Upon any Definitive Notes becoming due and repayable prior to their Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside the United States (save as provided above) in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

If (otherwise than by reason of the application of the above) the due date for redemption of any Bearer Note is not the due date for the payment of a Coupon appertaining thereto, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of a Coupon (or from the Issue Date or the Interest Commencement Date, as the case may be) will be paid only against surrender of such Bearer Note and all unmatured Coupons appertaining thereto.

(b) Registered Notes

Payment of the amount due on final redemption (the "**Redemption Amount**") in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not both a Relevant Financial Centre Day and a local banking day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and

no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3, 4 or 5, as appropriate.

Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the "**Record Date**").

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency, in each case as specified in paragraph (c) below.

(c) General Provisions

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due either (a) by cheque, or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee.

Payments of principal, interest and other amounts (if any) in respect of Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 7.

For the purposes of these Conditions:

- (i) "**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, in the case of payments which fall to be made in euro, a Euro Business Day or, where such currency is a National Currency Unit (as defined in Condition 9) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centre or centres) and in any other place set out in the Pricing Supplement;
- (ii) "**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Paying Agent or the Registrar to which the relevant Note or Coupon is presented for payment is located; and
- (iii) "**ISDA Definitions**" means the 1991 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

Without prejudice to the generality of the foregoing, the Bank reserves the right to require any person receiving payment 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 or such other laws as the Bank may be required to comply with.

9. Redenomination

(a) General

Where redenomination is specified in the relevant Pricing Supplement as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined below), the Issuer may, without the consent of the Trustee or the Noteholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date in respect of such Notes.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Relevant Currency converted into euro at the rate for the conversion of the relevant Relevant Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); *provided, however, that* if the Issuer determines, with the prior approval of the Trustee, that the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
 - (A) all unmatured Coupons denominated in the Relevant Currency (whether or not attached to the Notes) will become void with effect from the date (the **"Euro Exchange Date"**) on which the Issuer gives notice (the **"Euro Exchange Notice"**) to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Relevant Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Relevant Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Relevant Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Relevant Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and;
- (iv) such other changes will be made to the terms and conditions of the Notes as the Issuer may decide, with the prior written approval of the Trustee, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other change will not take effect until after they have been notified to the Noteholders in accordance with Condition 14.

None of the Issuer, the Trustee, or any Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any payment by euro cheque or from the credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

(b) Interest

Following redenomination of the Notes pursuant to 9(a) above:

- (i) where Notes are in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (ii) in respect of Fixed Rate Notes where interest is payable annually, any interest required to be calculated for a period of less than one year in respect of the Notes shall be

calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); *provided, however, that* if the Issuer determines, with the prior agreement of the Trustee, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment;

- (iii) in respect of Fixed Rate Notes where interest is payable quarterly or semi-annually, the amount of interest payable in respect of each Note on any Fixed Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by four or two (as the case may be) and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); *provided, however, that* if the issuer determines, with the prior agreement of the Trustee, that the market practice in respect of such internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment;
- (iv) in respect of Floating Rate Notes, the Interest Amount payable in respect of the Notes for each Interest Period will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during the Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and
- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Calculation Agent on the basis of provisions which it determines, in its sole and absolute discretion, reflects the market practice in respect of such internationally offered euro denominated securities.

(c) Definitions

As used in these Conditions:

"euro" and "EUR" means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty;

"Euro Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

"National Currency Unit" means the national currency unit of any Participating Member State that becomes a denomination of euro by reason of Council Regulation (EC) No. 1103/97, Council Regulation (EC) No. 974/98 or any other applicable laws.

"Participating Member State" means any member state of the European Union that has adopted the single currency in accordance with the Treaty.

"Redenomination Date" means a date which:

- (i) in relation to interest-bearing Notes, shall be a date on which interest in respect of such Notes is payable;
- (ii) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (iii) falls on or after such date as the country of the Relevant Currency becomes a Participating Member State.

"Treaty" means the Treaty establishing the European Communities, as amended by the Treaty on European Union.

10. Enforcement

(a) In the case of any Series of Notes other than Subordinated Notes and Undated Subordinated Notes, if default is made for a period of 14 days or more in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may at its discretion, and if so requested by the Holders of at least one-fifth in principal amount of such Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders of such Notes (subject in each case to being indemnified to its satisfaction) shall, give written notice to the Issuer that the Notes of such Series are immediately due and repayable, whereupon the principal amount of such Notes or such other amount as set out in the relevant Pricing Supplement shall become immediately due and repayable together with interest accrued to (but excluding) the date of actual repayment;

Provided that it shall not be such a default to withhold or refuse any such payment (1) 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 (2) 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 14 days by independent legal advisers acceptable to the Trustee as to such validity or applicability.

(b) In the case of any Series of Subordinated Notes or Undated Subordinated Notes:

- (i) subject to Conditions 2(c) and 2(d), if default is made for a period of 7 days or more in the repayment of any principal due on the Notes of such Series 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 of such Series or any of them, then the Trustee may, in order to enforce payment, at its discretion and without further notice, in the case of a Series of Subordinated Notes or Undated Subordinated Notes, 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 (1) 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 (2) 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;

- (ii) 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 in relation to such Series of Subordinated Notes or Undated Subordinated Notes or under such Notes or the Coupons appertaining thereto (other than any obligation for the payment of any principal or interest in respect of such Notes or 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 (whether in respect of principal or interest or other sums in respect of the relevant Notes or the Coupons appertaining thereto or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). 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.

NB: The restriction on the payment of damages would have the effect of limiting the remedies available to the Trustee in the event of a breach of certain covenants by the Bank.

(c) In the case of any Series of Notes, in the event of an order being made or an effective resolution being passed for the winding up of the Bank in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the relevant

Series of Notes) the Trustee may declare the Notes of the relevant Series to be due and redeemable immediately (and such Notes shall thereby become so due and redeemable) at their principal amount together with accrued interest as provided in the Trust Deed and the relevant Pricing Supplement (or, in the case of Undated Subordinated Notes, at the amount calculated pursuant to Condition 10(cc) below) or at such other amount, or at such amount calculated in accordance with such other formula, as is set out in the relevant Pricing Supplement.

(cc) In the event of the winding up of the Bank in England, each Series of Undated Subordinated Notes then outstanding shall be treated as if at the close of business on the business day in London preceding the commencement of the winding up of the Bank the principal payable in respect of such Notes and accrued interest 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 such Note is deemed to be converted, rounded down to the nearest whole number;

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

R = the equivalent in the currency in which the principal amount of such Note is denominated of one pound sterling as determined as at 11.00 a.m. on such preceding business day in London by the Trustee by reference to market rates;

whereupon, the entitlement of the Holders of such Undated Subordinated Notes in respect of the principal repayable and interest payable in respect of such Notes shall be in lieu of the repayments and payments herein before provided (and 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.

(d) The Trustee shall not in any event be bound to take any of the actions referred to in Condition 10(b) sub-clause (i) or (ii) or Condition 10(c) above in respect of any Series of Notes 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 of the relevant Series then outstanding or it shall have been so directed by an Extraordinary Resolution of the Holders of the Notes of the relevant Series and (ii) it shall have been indemnified to its satisfaction.

(e) No remedy against the Bank other than as specifically provided by this Condition 10 or the Trust Deed shall be available to the Trustee, the Noteholders or Couponholders in respect of any Series of Notes whether for the recovery of amounts owing in respect of such Notes or the Coupons appertaining thereto or under the Trust Deed or in respect of any breach by the Bank of any obligation, condition or provision under the Trust Deed or such 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.

11. Prescription

Notes and Coupons will become void unless presented for payment within a period of ten years and five years, respectively, from the Relevant Date (as defined in Condition 7) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent or the Trustee for the payment of the principal or interest in respect of any Notes or Coupons and remaining unclaimed when such Notes or Coupons become void will then revert to the Issuer and all liability of the Principal Paying Agent or the Trustee with respect thereto will thereupon cease.

There shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 11 or Condition 8.

12. Paying Agents, Agent Bank and Registrar

The Agency Agreement contains provisions indemnifying the Principal Paying Agent, the Paying Agents (if any), the Agent Bank and the Registrar and absolving them from responsibility in connection with certain matters. The Agency Agreement may be amended by the parties thereto in relation to any Series of Notes if, in the opinion of the Issuer and the Trustee, the amendment will not materially adversely affect the interests of the relevant Noteholders.

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, any Paying Agent, the Agent Bank or the Registrar and to appoint additional or other Paying Agents or a substitute Agent Bank or a substitute Registrar, provided that it will, so long as any Notes are outstanding, maintain (i) an Agent Bank, (ii) a Paying Agent having a specified office in a city approved by the Trustee (such approval not to be unreasonably withheld or delayed) in Europe which, so long as any Notes are listed on the London Stock Exchange Limited and/or the PARISBOURSE and/or any other stock exchange, shall be London and/or Paris and/or such other place as may be required by such other stock exchange and (iii) in the case of any Registered Notes, a Registrar with a specified office in England. Notice of all changes in the identities or specified offices of any Paying Agent, Agent Bank or Registrar will be given by the Issuer to Noteholders in accordance with Condition 14.

13. Replacement, Exchange and Transfer

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office (in the case of a Bearer Note or Coupon) of the Principal Paying Agent or such other Paying Agent or office as the Trustee may approve or (in the case of Registered Notes) of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

Upon the terms and subject to the conditions set out in the Agency Agreement and the relevant Pricing Supplement, a Registered Note may be exchanged for a Registered Note or Notes of equal aggregate principal amount in such different authorised denominations as may be requested by the Noteholder by surrender of such Registered Note at the specified office of the Registrar, together with a written request for the exchange.

Upon the terms and subject to the conditions set out in the Agency Agreement, a Registered Note may be transferred in whole or in part only (provided that such part is, or is an appropriate multiple of, the minimum denomination set out in the Pricing Supplement) by the Holder or Holders surrendering the Registered Note for registration of transfer at the office of the Registrar, duly endorsed by, or accompanied by a written instrument to transfer in form satisfactory to the Issuer and the Registrar, duly executed by the Holder or Holders thereof or his or their attorney duly authorised in writing. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

If so set out in the relevant Pricing Supplement, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined below) where the exchange date would, but for the provisions of this paragraph, occur between the Record Date (as defined in Condition 8(b)) for such payment of interest and the date on which such payment of interest falls due.

Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for delivery at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. As used herein:

- (i) **"Relevant Banking Day"** means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Principal Paying Agent, in the place where the specified office of the Principal Paying Agent is located;
- (ii) the **"exchange date"** shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with the foregoing provision; and
- (iii) the **"transfer date"** shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with the foregoing provisions.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expenses of delivery by other than regular mail or insurance charges that may be imposed in relation thereto, shall be borne by the Issuer.

The Registrar shall not be required to register the transfer of or exchange Registered Notes for a period of 15 days preceding the due date for any payment of principal of or interest in respect of such Notes.

14. Notices

(a) All notices to the Holders of Notes or the Coupons appertaining thereto will be valid if published in one leading daily newspaper (i) with general circulation in London (which is expected to be the *Financial Times*) and (ii) in the case of any Notes which are listed on the **PARISBOURSE** (so long as such Notes are listed on the **PARISBOURSE** and that exchange so requires), in a daily newspaper having general circulation in Paris (which is expected to be *Les Echos* or *La Tribune*) or, in the case of (i), if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, in the case of (ii), if such publication is not practicable, if published in a leading French language daily newspaper having general circulation in the Republic of France). 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 (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Holders of any Coupons appertaining to Bearer Notes will be deemed for all purposes to have notice of the contents of any notice given to the Holders of such Bearer Notes in accordance herewith.

Notwithstanding the foregoing, any notices to Holders of Registered Notes will be deemed to have been validly given if mailed to their registered addresses (as advised by the Registrar) or to that of the first named of them in the case of joint Holders.

Notwithstanding the foregoing, except in the case of Notes which are listed on the **PARISBOURSE**, while the Notes of any Series are represented by a Note or Notes in global form ("**Global Notes**") and such Global Notes are deposited with, or with a depositary for or on behalf of, Euroclear and/or Cedelbank and/or any other clearing system or depositary, each person who has for the time being a particular principal amount of the Notes credited to his securities account in the records of Euroclear or Cedelbank or such other clearing system or depositary shall be treated as the Holder in respect of that principal amount of the Notes for all purposes other than for the purposes of payment of principal and interest on such Notes, and in such case notices to the Holders may be given by delivery of the relevant notice to the relevant clearing system or depositary and such notices shall be deemed to have been given to the Holders holding through the relevant clearing system or depositary on the date of delivery to the relevant clearing system or depositary.

(b) Notices given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or other Paying Agent (if any) at its specified office.

15. Modification of Terms, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including, subject to the agreement of the

Issuer, the modification by Extraordinary Resolution of the terms and conditions of such Notes or the provisions of the Trust Deed with respect to such Notes except, *inter alia*, certain terms concerning the amount and currency and the postponement of the due date of payment of the Notes and the Coupons appertaining thereto or interest or other amount payable in respect thereof, the modification of which may only be effected if passed at a meeting the quorum at which is persons holding or representing a clear majority, or at any adjourned such meeting not less than one third, in principal amount of the Notes of such Series for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series will be binding on all Holders of Notes of that Series, whether or not they are present at the meeting, and on the Holders of Coupons appertaining to the Notes of that Series.

Subject to certain exceptions, the Trustee may agree, without the consent of the Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any) to:

- (i) any modification of any of the provisions of the Trust Deed; and
- (ii) any 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 Holders of Notes of that Series. Any such notification, waiver or authorisation shall be binding on the Holders of Notes of that Series and the Holders of the Coupons appertaining thereto and, unless the Trustee agrees otherwise, shall be notified to the Holders of Notes of that Series 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 Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any), the Trustee may also agree, subject to such Notes and the Coupons appertaining thereto being irrevocably guaranteed by the Bank (on a subordinated basis in the case of Subordinated Notes or Undated Subordinated Notes), to the substitution of a subsidiary or holding company of the Bank or any subsidiary of any such holding company in place of the Bank as principal debtor under such Notes and the Coupons appertaining thereto (if any) and the Trust Deed insofar as it relates to such Notes.

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, or substitution as aforesaid) the Trustee shall have regard to the interests of the Holders of the Notes of the relevant Series 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 the individual Noteholders or Couponholders 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 exercise upon individual Noteholders or Couponholders.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes of any Series or Holders of the Coupons appertaining thereto (if any) to create and issue further notes ranking equally in all respects (or in all respects save as specified in the relevant Pricing Supplement) with the Notes of such Series so that the same shall be consolidated and form a single series with such Notes for the time being outstanding.

17. Governing Law

The Trust Deed, the Notes and the Coupons (if any) are governed by, and shall be construed in accordance with, English law.

The Bank irrevocably agrees that the High Court of Justice in London shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in conjunction with any Notes, Coupons or the Trust Deed (respectively, "**Proceedings**" and "**Disputes**"). The Bank irrevocably waives any objection which it might now or hereafter have to

such court being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such Court is not a convenient or appropriate forum.

Nothing herein shall affect the right of the Trustee or the Holders of Notes or Coupons to serve process in any other manner permitted by law or the right to take proceedings in any other jurisdiction.

In the case of a substitution under Condition 15, the Trustee may agree, without the consent of the Holders of the Notes of any Series or of the Coupons appertaining thereto, to a change of the law governing the Notes of any Series or the Coupons appertaining thereto and/or the Trust Deed insofar as it relates to such Series of Notes provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders of the Notes of such Series, but the Trustee shall, in giving such agreement, have regard to the interests of the Holders of the Notes of such Series 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 Holders of the Notes of any Series or of the Coupons appertaining thereto be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequences of any such substitution upon individual Holders of the Notes of any Series or of the Coupons appertaining thereto.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Notes issued by the Bank will be used in the conduct of the business of Midland.

MIDLAND BANK PLC AND ITS SUBSIDIARY UNDERTAKINGS

Introduction

Midland is a United Kingdom-based financial services group providing banking and financial services to personal and business customers in the United Kingdom and overseas. Midland's operations outside the United Kingdom are primarily in Europe and Latin America, with a wide range of banking services including loans, deposits, payments, treasury and capital markets, trade services and private banking. In addition, Midland has a full range of foreign exchange, money market and capital markets operations in New York and Tokyo. The Bank's principal place of business in the United Kingdom is 27/32 Poultry, London, EC2P 2BX.

The Bank is a wholly-owned subsidiary undertaking of HSBC Holdings plc ("HSBC Holdings") which, together with its subsidiary and associated undertakings, is referred to as the "HSBC Group". The HSBC Group is one of the largest banking and financial services organisations in the world, with over 5,000 offices in 79 countries and territories. Its total assets at 31 December 1998 were £291.3 billion. The Bank is the HSBC Group's principal operating subsidiary undertaking in Europe.

The Bank is one of the principal UK clearing banks. At 31 December 1998, Midland's total assets were £104.8 billion and on the basis of total assets Midland ranked sixth amongst such banking groups in the United Kingdom.

Business Operations

Midland groups its activities into two core business segments, **Banking** which comprises UK Banking, International Banking and HSBC MIDLAND and **Asset Finance**.

Banking

UK Banking

Midland provides a wide range of banking and financial services to personal and business customers. Services are provided through a branch network and via telephone and PC. The network of approximately 1,700 branches includes 21 outlets within Morrisons supermarkets, which are open the same hours as their host supermarkets. Routine customer telephone calls are handled by four Customer Service Centres which work in partnership with Midland's branches to provide an extended hours telephone banking enquiry service. Customers are also offered 24-hour access, through ServicePlus, to an Interactive Voice Response service.

Midland is a founder shareholder with a 20 per cent. stake in British Interactive Broadcasting ("BiB") which has been established to deliver digital interactive services to television viewers in the UK. Subscribers to BiB will be able to access an electronic shopping centre, enabling them to order and pay for a range of goods and services from their home. Midland is providing the payment handling infrastructure for debit and credit payments and will be introducing a TV Banking service through Open..., the marketing name of BiB.

Midland has centralised routine processing, which was previously completed by individual branches, and cheques and credits paid in through the retail branch network, along with the majority of customer instructions received by branches, are processed at fifteen District Service Centres. Routine credit control work for personal customers is being transferred to three new service centres.

The services provided include:

- Current accounts—The key element in the customer relationship remains the provision of current accounts and the associated core services. At 31 December 1998 Midland had over five million personal current accounts and approximately 700,000 business current accounts. Midland has maintained its overall market share of 25 per cent. of all accounts of young people aged between 16 and 20.

Additionally, almost one third of new students choose Midland as their main bank. Midland remains focused on the quality of service it provides and regularly asks customers for their opinions. The Bank's core personal banking proposition achieved a "best buy" status in the UK Consumer Association's *Which?* report in October 1998. It also singled Midland out as having a significantly lower level of mistakes than the average for providers of current accounts.

- Loans—Midland provides a wide range of lending services for personal and business customers. In 1998, Midland's domestic housing loan portfolio grew by 10 per cent. through the provision of fixed and variable rate mortgages and equity release loans. As at 31 December 1998 the portfolio balance exceeded £12 billion.
- Savings accounts—Midland offers a range of term and call savings products to both the personal and business markets. During 1998 Midland carried out a comprehensive review of savings accounts, simplifying the product range and ensuring consistency of interest rate pricing between products.
- ATMs—The Bank has a comprehensive self-service automated teller machine ("ATM") network consisting of approximately 2,200 machines sited at Midland branches and approximately a further 575 at non-branch sites such as supermarkets and underground stations. These, together with bilateral arrangements with other banks and building societies, machines with the CIRRUS acceptance mark and in 1999 membership of LINK, the national cash machine network, provide access to over 25,000 ATMs in the UK. Internationally, approximately 430,000 ATMs are available through the CIRRUS acceptance mark.
- Direct banking—Midland provides full service person-to-person banking by telephone, 24 hours a day, 365 days a year through First Direct. First Direct is the UK's leading telephone banking service with over 880,000 customers and attracts on average 10,000 new cheque accounts per month. First Direct introduced a PC banking service in 1998, and over 100,000 customers are already using this facility. Midland Direct sells personal loans, credit insurance, travel and household insurance. The product range was expanded in 1998 to include sales of motor insurance, life and investment products, and the provision of a mortgage service by telephone.
- Wealth management—The Bank sells life, pensions, investment and general insurance products acting as "company representative" for the sale of regulated products sourced from Midland Life Limited and Midland Unit Trust Management Limited under the terms of the UK Financial Services Act 1986. These products are sold to customers by financial planning managers through the branch network and by telephone. Revenue from life assurance, general insurance and investment products grew by 26 per cent. to £319 million in 1998. Funds under management of Midland Life Limited and Midland Unit Trust Management Limited were £5.6 billion at 31 December 1998 (1997: £4.9 billion). The Bank also provides investment management and independent financial advisory services to more affluent personal customers. Funds under management were £3.5 billion at 31 December 1998 (1997: £3.0 billion).
- Cards—The Bank issues credit cards under both the MasterCard and VISA payment schemes. For business customers the Bank provides business, corporate and purchasing cards. The Bank is also a major merchant acquirer for both credit card and debit card transactions. The SOLO debit card, launched in 1997, has now extended debit card facilities to nearly 900,000 new customers, an increase of 40 per cent. during 1998. Midland is a 2.74 per cent. shareholder in Mondex International Limited, a subsidiary of Mastercard International Incorporated. Mondex International has pioneered the Mondex electronic cash system, one of the world's leading smart card electronic purses. During July 1998 an agreement was reached at UK industry level for the implementation of Integrated Circuit Card technology on debit and credit cards. This initiative will help to reduce counterfeit fraud and will provide a platform for future business developments.
- Stockbroking—Midland Stockbrokers provides an execution-only share dealing service to retail investors via the retail branch network and directly by telephone. It also supports the share dealing requirements of external intermediaries.
- Custody services—Midland includes the specialist global custody division of the HSBC Group, offering full global, regional and UK sub-custodian services in over 65 markets world-wide. It also acts as trustee to unit trusts and engages in agency stocklending of both fixed income and equity instruments.

- Trade services—The Bank provides trade and international banking services including documentary credits, bills and short-term structured trade finance under the name HSBC Trade Services.
- Corporate and correspondent banking—Midland Corporate Banking has responsibility for the Bank's largest corporate and institutional clients. Relationships are managed through a number of specialist industry groups in co-operation with all areas of Midland and the HSBC Group to provide a broad range of banking products and services. The Bank's City of London Corporate Office provides a dedicated service to the more complex Midland Corporate Banking relationships with retail branches handling the remainder.

International Banking

Midland's overseas operations are primarily in Europe and Latin America, coupled with a wide range of banking services including loans, deposits, payments, treasury and capital markets, trade services and private banking.

Midland has offices based in 28 countries and territories, principally in Europe, with a number of offices in Latin America.

The Bank has branches in Australia, the Czech Republic, France, Greece, Guernsey, the Isle of Man, Italy, Japan, Jersey, Malta, Panama, Spain, Sweden and the United States.

Midland has representative offices in Argentina, Bahrain, Brazil, Chile, the Hong Kong Special Administrative Region, Ireland, Mexico, Russia, Singapore, Taiwan and Venezuela.

Midland also operates through the following overseas subsidiary undertakings: in Armenia, HSBC Bank Armenia cjsc; in the Cayman Islands, Midland Bank Trust Corporation (Cayman) Limited; in Greece, Midland Pantelakis Securities S.A. and Midland Mutual Fund Management S.A.; in Guernsey, Midland Bank Offshore Limited; in Ireland, Midland International Financial Services (Ireland) Limited; in the Isle of Man, Midland Bank Offshore Limited; in Jersey, Midland Bank Offshore Limited; and in Turkey, HSBC Bank A.S.

Business with emerging markets (principally in Latin America), which is generally short-term trade and/or capital markets-related, is managed centrally in London; the representative offices in the relevant countries are used to identify profitable business opportunities.

Long-term Less Developed Country ("LDC") debt exposure includes Brady bonds issued as a result of debt restructuring by Argentina, Brazil, Mexico and Venezuela and loans to certain other countries where debt negotiations are taking place. A portfolio of equity investments is held, arising from debt:equity swaps. Long-term debt exposures and debt:equity investments in Latin America continue to be reduced.

HSBC MIDLAND

HSBC MIDLAND comprises the treasury and capital markets operations of Midland in London, New York and Tokyo, together with smaller operations in Madrid, Milan, Paris and Prague.

HSBC MIDLAND's activities include a full range of foreign exchange, including currency options, money market and capital markets operations. Interest rate, bond and equity derivative products are also delivered to its customer base. A computerised spot and forward foreign exchange order service is available from London. Additionally, a number of corporate clients have the facility to deal directly through Midland's FX-Direct foreign exchange dealing system. Nine UK regional treasury centres provide direct access to treasury services for customers on a local basis.

HSBC MIDLAND has a significant share of the foreign exchange market in London and is prominent in the Asian, Middle Eastern and East European currency markets. It is also well established in the interest rate markets. In capital markets, HSBC MIDLAND's business is conducted in the name of HSBC Markets, a vehicle under which a number of the operating arms of the HSBC Group have been brought together. HSBC MIDLAND continues to retain its position as a leading new debt issuance house in the international capital markets.

Midland is also prominent in the UK Government bond market and the Eurosterling bond market. HSBC Futures provides comprehensive coverage of the London International Financial Futures and Options Exchange and has achieved a prominent position globally. It is also represented on most of the leading overseas financial futures exchanges.

Asset Finance

Midland, through Forward Trust Group Limited and its subsidiary undertakings, is one of the leading suppliers in the UK of instalment finance, leasing and invoice finance products, principally to business customers.

A comprehensive range of asset finance products and related services is offered to corporate customers. The business includes divisions specialising in vehicle and rail rolling stock finance. Asset finance is also available for plant and equipment and a specialised finance division arranges large and complex leases.

Griffin Credit Services Limited offers invoice finance, credit management and credit protection services to business customers, together with debt recovery services.

Year 2000 Readiness

Midland recognises that the Year 2000 issue has widespread implications for computer and other technology-based systems and equipment. Midland is fully committed to resolving its Year 2000 issues and has been following a detailed implementation plan which addresses all relevant items. Progress is monitored by an Executive Steering Committee which meets monthly and regular reports are provided to Midland's Board and Audit Committee.

As at 31 December 1998, the vast majority of Midland's own systems and equipment had been amended and tested as ready for the new millennium to relevant British Standards Institution requirements. This includes critical computer systems, the vast majority of the Bank's own telecommunication systems, key premises and office equipment. In addition, the Bank's most important suppliers have responded with acceptable confirmation of their own Year 2000 plans. Midland is also testing critical goods and services and making appropriate service agreements over the key millennium change period. In line with Midland's implementation plan, outstanding items are on course to be made compliant and tested by 30 June 1999.

As at 31 December 1998, most business areas had established their contingency plans. These plans include mitigating the effects of any failure to complete remedial work on critical business systems, business continuity plans to address the possibility of systems failure and market resumption plans to address the possibility of the failure of external dependencies. The latter are many and varied, and include third party telecommunications networks and national infrastructure services such as power suppliers. Midland's policy is to liaise and co-operate with third party dependencies both directly and through relevant industry groups. However, Midland is unable to predict the effect if any of the efforts to address the Year 2000 problem fail.

Lack of readiness on the part of third parties would expose Midland to the potential for loss, impairment of business processes and activities, and disruption of financial markets. Midland is addressing these risks through a proactive communication plan which is being co-ordinated with appropriate external parties. Midland's business customers are being actively encouraged to take effective action to resolve their Year 2000 issues.

The total cost of the Year 2000 Programme is estimated to be £43 million. The costs incurred for the twelve months ended 31 December 1998 were £25 million (including £3 million attributable to incremental external costs). Estimated costs to complete the programme are £11 million (including £1 million attributable to incremental external costs). Costs relating to systems changes that are not directly related to the Year 2000 but which do address some Year 2000 issues are not included in these costs.

European Economic and Monetary Union

Throughout Midland's businesses, comprehensive planning and testing was undertaken for the introduction of the single European currency in 11 European Union member states (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain) on 1 January 1999. Within Midland, all conversion weekend tasks were completed successfully and Midland was able to trade and settle in euros when the markets opened on Monday 4 January 1999.

Midland is offering a range of euro services including current accounts, payments and cash management services, loans and deposits, treasury and capital markets services, and custody and trade services. Although the UK has not joined the single European currency, UK businesses with operations in, or trading links with businesses based in, the euro area are affected. In addition

those that buy from or sell to UK subsidiaries of continental European corporations, which have decided that they will trade in euros, may also be affected. Midland will continue to support its business customers through the provision of information to assist them in addressing the challenges and exploiting the opportunities arising from the introduction of the euro.

In 1999, Midland will be further developing its euro service proposition for potential UK entry together with a detailed plan to deliver it.

Name Change

On 27 November 1998, HSBC Holdings announced that it is creating a global brand for the HSBC Group, using HSBC and the hexagon symbol everywhere it operates. The legal names of the Bank and its subsidiary undertakings will change, where appropriate, after obtaining all necessary regulatory and other approvals, in order to be consistent with the new branding.

Mid-Med Bank plc

On 14 April 1999, HSBC Holdings announced that the Government of Malta (the "**Government**") and Midland had signed a share purchase agreement for Midland to purchase the Government's 67.1% shareholding in Mid-Med Bank plc ("**Mid-Med**").

On 2 June 1999, Midland acquired both the shares held by the Government and those owned by the companies in which the Government had a majority interest. As a result, Midland now owns a 70.03 per cent. stake in Mid-Med Bank plc. The price paid represented 1.537 times the net asset value of Mid-Med at 30 September 1998.

Mid-Med is the largest commercial bank in Malta with over 60 offices and branches and 1,800 staff. At 30 September 1998, it had a net asset value of U.S.\$183 million.

DIRECTORS OF MIDLAND BANK PLC

At the date of this document, the Directors of the Bank, their functions and their principal outside activities (if any) of significance to Midland, are as follows:

Name	Function within Midland	Principal Outside Activity
Sir John Bond	Chairman	Group Chairman HSBC Holdings plc
K R Whitson	Deputy Chairman	Group Chief Executive HSBC Holdings plc
W R P Dalton	Chief Executive	
D W Baker	Chief Operating Officer	
J F Devaney*	Director	
R Emerson*	Director	Director of Taxation & Treasury Glaxo Wellcome plc
S K Green	Director	Chairman of HSBC Investment Bank Holdings plc
A J Hales*	Director	Chief Executive Allied Domecq PLC
R M J Orgill	Director	Global Head of Corporate and Institutional Banking for the HSBC Group
A C Reed (Mrs)*	Director	Divisional Director Financial Control Marks & Spencer plc
H A Rose*	Director	

Notes

* Independent Non-Executive Director

The business address for all the Directors of the Bank is 27/32 Poultry, London EC2P 2BX.

CONSOLIDATED CAPITALISATION OF MIDLAND BANK PLC

The following table shows the unaudited authorised and issued share capital of the Bank and Consolidated Loan Capital of Midland as at 31 March 1999:

	Authorised £m	Authorised U.S.\$m	Issued and fully paid £m
Ordinary Share Capital			
Ordinary shares (of nominal value £1 each)	1,000	-	797
			Proceeds of Issue £m
Preference Share Capital			
Sterling preference shares (of nominal value £1 each)	150	-	-
U.S. Dollar preference shares (of nominal value U.S.\$0.01 each)	-	2	525
			Amount outstanding £m
Consolidated Loan Capital			
Undated subordinated loan capital of Midland Bank plc			
Undated Floating Rate Primary Capital Notes (U.S.\$750 million)			464
Undated Floating Rate Primary Capital Notes (U.S.\$500 million)			310
Undated Floating Rate Primary Capital Notes (Series 3) (U.S.\$300 million)			186
9 1/4% Step-Up Undated Subordinated Notes			150
8.625% Step-Up Undated Subordinated Notes			150
			1,260
Subordinated loan capital of Midland Bank plc			
Subordinated Floating Rate Notes 2001			250
8 3/4% Subordinated Notes 2004 (U.S.\$400 million)			246
9% Subordinated Notes 2005			200
7.625% Subordinated Notes 2006 (U.S.\$500 million)			310
14% Subordinated Unsecured Loan Stock 2002/2007			100
Subordinated Step-Up Coupon Callable Floating Rate Notes 2007 (U.S.\$50 million)			31
Subordinated Step-Up Coupon Floating Rate Notes 2007			149
6.95% Subordinated Notes 2011 (U.S.\$300 million)			186
6 1/2% Subordinated Notes 2023			197
7.65% Subordinated Notes 2025 (U.S.\$300 million)			185
			1,854
Subordinated loan capital of subsidiary undertakings			
Guaranteed Floating Rate Notes 1989/1999 (DM 200 million)			68
6.99% Guaranteed Loan 1999 (Yen 5.0 billion)			26
Guaranteed Floating Rate Unsecured Loan Stock/Notes 2001			1
			95
Total Consolidated Loan Capital			3,209

Notes:

- (1) The ordinary share capital and the one preferred ordinary share of Midland Bank plc in issue are beneficially owned by HSBC Holdings.
- (2) On 20 May 1999, the Bank issued U.S.\$375,000,000 Subordinated Step-Up Coupon Floating Rate Notes due 2009.

Save as disclosed above, there has been no material change in the share capital of the Bank or the Consolidated Loan Capital of Midland since 31 March 1999.

As at 31 December 1998, Midland had contingent liabilities of £8,641 million comprising acceptances and endorsements of £1,234 million and guarantees and irrevocable letters of credit of £7,407 million.

Below is only a summary of certain important United Kingdom tax implications of investing in the Notes as they affect most investors (other than dealers in securities and persons who are not the absolute beneficial owners of the Notes and Coupons) and information in relation to a proposed European Directive on the Taxation of Savings. Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Persons who are unsure of their tax positions are strongly advised to consult their own professional advisors.

UNITED KINGDOM TAXATION

Under current law and Inland Revenue practice in the United Kingdom:—

- A. 1. Listed Notes in bearer form which are Fixed Rate Notes, Floating Rate Notes or other interest-bearing Notes (as the case may be) will constitute "quoted Eurobonds" provided they continue to be listed on a recognised stock exchange. Accordingly, while such Notes remain in global form and are held in a "recognised clearing system" designated as such for the purposes of section 841A of the Income and Corporation Taxes Act 1988 (Euroclear and Cedelbank are each so designated, but Sicovam is not so designated), payments of interest on such Notes may be made without withholding or deduction for or on account of UK income tax provided that:
- (a) payment is made through a paying agent outside the United Kingdom; or
 - (b) payment is made through a paying agent who is in the United Kingdom and:
 - (i) payment is made directly to the recognised clearing system; or
 - (ii) payment is made to, or at the direction of a depositary for the recognised clearing system and the paying agent obtains a valid declaration PA3 from such depositary; or
 - (iii) the paying agent has obtained a notice from the Inland Revenue authorising the paying agent to pay the interest with no tax deducted.
2. If Definitive Notes (but not Registered Notes) are issued in the circumstances set out in Condition 1 of the "Terms and Conditions of the Notes" and continue to be in bearer form and listed on a recognised stock exchange, then payments of interest on such Notes may be made without such withholding or deduction where:
- (a) payment is made through a paying agent outside the United Kingdom, or
 - (b) payment is made through a paying agent who is in the United Kingdom and:
 - (i) a person who is not resident in the United Kingdom is beneficially entitled to the interest and is the beneficial owner of the Note on which the interest is paid and either:
 - (1) the paying agent obtains a valid declaration PA1 from the said person; or
 - (2) the paying agent obtains a valid declaration PA2 from another person who holds the Notes for the non-resident person and who is entitled to arrange for the interest to be paid with no UK tax deducted; or
 - (3) the paying agent has obtained a notice from the Inland Revenue authorising the paying agent to pay the interest with no tax deducted; or
 - (ii) such Notes are held in a "recognised clearing system", and one of the conditions set out in A.1(b)(i), (ii) and (iii) above is satisfied.
3. In addition to the exemptions set out in A.1 and A.2 above, interest may be paid on the Notes without withholding or deduction for or on account of UK tax so long as the Issuer is an institution authorised under the Banking Act 1987 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of the United Kingdom Inland Revenue, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:

- (i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Financial Services Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
 - (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid UK tax.
- 4. In all cases falling outside the exemptions described in A.1, A.2 and A.3 above, interest on the Notes may be paid under deduction of UK income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more.
- B. 1. A person in the United Kingdom, the "collecting agent", who in the course of a trade or profession:
 - (i) collects, secures payment of or receives, or arranges to collect or secure payment of, interest on behalf of a holder of Definitive Notes or an interest in a Global Note (which are in each case quoted Eurobonds); or
 - (ii) acts as custodian of such Notes and receives interest on such Notes or directs that interest on such Notes be paid to another person or consents to such payment

(except, in any such case, solely by means of clearing a cheque or arranging for the clearing of a cheque), will be required to withhold UK income tax at the lower rate (currently 20 per cent.) subject to certain exceptions, including the following:

 - (a) the relevant Notes are held in a recognised clearing system and either:
 - (i) the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system, and where such payment or account is made to, or at the direction of, a depositary for the recognised clearing system, the collecting agent holds a valid declaration CA3 from the depositary; or
 - (ii) the collecting agent is acting as depositary for the recognised clearing system in respect of the Notes;
 - (b) the person beneficially entitled to the interest beneficially owns the relevant Notes and is not resident in the United Kingdom, and the collecting agent either:
 - (1) holds a valid declaration CA1 from the said person; or
 - (2) holds a valid declaration CA2 from a person (other than the beneficial owner of the Notes) to whom the interest is payable or who is entitled to arrange for the interest to be collected without deduction of UK tax and who is not a collecting agent in the United Kingdom;
 - (c) the interest is payable to trustees of certain trusts (called "qualifying discretionary and accumulation trusts") where essentially neither the trustees nor the beneficiaries are resident in the United Kingdom and the collecting agent has obtained a valid declaration CA1 from the trustees;
 - (d) the person owning the relevant Notes and beneficially entitled to the interest is eligible for certain reliefs, for example a UK charity, approved UK pension fund, or sovereign power or its government, UK authorised or unauthorised unit trust or foreign diplomat, foreign consular employee or member of foreign armed forces and the collecting agent has obtained a valid declaration CA1 or CA2 from the appropriate person;
 - (e) the interest is payable by the collecting agent to another UK collecting agent who has agreed with the first-mentioned collecting agent to take over responsibility for operating these provisions and has given a notice in the prescribed form to the first-mentioned collecting agent;
 - (f) the person beneficially entitled to the interest and the relevant Notes is a company within the same 51 per cent. group (as that term is defined in Section 838(i)(a) of the Income and Corporation Taxes Act 1988) as the collecting agent; or

- (g) the collecting agent has obtained a notice from the Inland Revenue directing the collecting agent to pay the interest with no tax deducted.

In certain circumstances, a bank in the United Kingdom which sells coupons or a dealer in coupons in the United Kingdom may also be subject to the collecting agency rules described above.

In all cases declarations made on or before the fourteenth day of a month will be effective from the first day of the previous month. Declarations received after the fourteenth day of a month are effective from the first day of the month in which they are received.

- C. Payments of interest in respect of the Notes have a UK source and accordingly will be chargeable to UK tax by direct assessment even if paid without withholding or deduction. Exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

However, where the beneficial owner of the interest is not resident in the United Kingdom, the Notes are not held by or for a branch or agent in the United Kingdom through which the beneficial owner carries on a trade, profession or vocation and the interest is not attributable to such branch or agency, the Finance Act 1995 generally limits the UK tax charged to tax, if any, which has been deducted at source.

- D. The provisions relating to additional payments referred to in Condition 7 of the "Terms and Conditions of the Notes" would not apply if the Inland Revenue sought to assess the person entitled to the principal or interest in respect of a Note directly to UK tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.
- E. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on such Notes will not be subject to any UK withholding tax pursuant to the provisions mentioned in A. above. Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such premium, either wholly or partially, may constitute a payment of interest subject to UK withholding tax as outlined in A. above.
- F. Holders of Notes who are individuals may be subject to UK taxation on a disposal or redemption 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 UK taxation from gains for "qualifying corporate bonds" will apply only to Notes which are "qualifying corporate bonds" within the terms of section 117 of the Taxation of Chargeable Gains Act 1992. No chargeable gain or allowable loss will arise on a disposal of Notes which are "qualifying corporate bonds" by individual Noteholders.
- G. The provisions of the accrued income scheme (the "scheme") may apply to individual Noteholders transferring Notes which bear interest where the holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable. On a transfer of securities with accrued interest computed in accordance with the scheme, the scheme usually applies to deem the transferor to receive an amount of income equal to the accrued interest and to deem the transferee to obtain an equivalent credit to set against the deemed or actual interest he subsequently receives. These provisions will be modified in the case of Notes bearing interest at a variable rate; for persons within the charge, on a transfer of securities, the transfer will be deemed to be a transfer with accrued interest and the amount of accrued income deemed to be received by a transferor will be such amount as the Inland Revenue decides is just and reasonable. The purchaser of such Notes will not be entitled to any equivalent credit under the scheme to set against any deemed or actual interest in respect of Notes which bear interest.
- H. Holders of Notes which are companies within the charge to UK corporation tax (other than authorised unit trusts) will be taxed and relieved in respect of their returns from Notes, including interest and returns attributable to movement in value (but excluding foreign exchange gains and losses), as income in accordance with an authorised accruals or mark to market basis of accounting. Where such a Noteholder holds Notes which are denominated

in a currency other than that in which the Noteholder computes its profits for UK tax purposes (if relevant), the Noteholder may be treated as realising foreign exchange gains or losses in respect of the Notes, and such gains and losses may be included in the computation of the Noteholder's profits subject to UK corporation tax. Such gains and losses will be computed on a translation basis broadly following the treatment in the Noteholder's statutory accounts.

- I. In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which the individual is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001.

Noteholders who are individuals should note that, if this proposal is adopted in its current form, the provisions relating to additional amounts referred to in Condition 7 (Taxation) above would not apply in respect of any withholding tax imposed as a result thereof.

SUBSCRIPTION AND SALE

Midland Bank plc and HSBC Trinkaus & Burkhardt KGaA, (the "Dealers") have in a dealer agreement dated 25 June 1999 (the "Dealer Agreement") agreed with the Bank a basis upon which they or either of them may from time to time agree either as principal or agent of the Bank to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. When entering into any such agreement to subscribe for or purchase, to underwrite, or as the case may be, to procure subscribers for or purchasers for any particular Series of Notes, the Issuer and the relevant Dealer will agree those details relating to such Notes which are described in "Description of the Programme and Issue Procedure" above. The Dealer Agreement contains provisions for the Issuer to appoint other dealers from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

General

Save for having obtained the approval of the Information Memorandum by the London Stock Exchange (in accordance with Part IV of the Financial Services Act 1986) and by the COB and save for having procured the delivery of a copy of the Information Memorandum for registration to the Registrar of Companies in England and Wales, no action has been or will be taken in any country or jurisdiction by the Bank or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Bank and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) in, or change(s) in official interpretation of, after the date hereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the first paragraph under the heading "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Information Memorandum.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it has not and will not offer, sell or deliver Notes, (i) as part of their distribution at any time, or (ii) otherwise until forty days after the later of the closing date and the completion of the distribution of the Notes comprising the relevant Series, as determined and certified to the Principal Paying Agent or the relevant Issuer by such Dealer (or in the case of a sale of a Series of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Series purchased by or through it, in which case the Principal Paying Agent or Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will send to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of U.S.

persons. In addition, until forty days after the commencement of the offering of Notes comprising any Series, any offer or sale of Notes of such Series within the United States by a dealer (whether or not participating in the offering of Notes of such Series) may violate the registration requirements of the Securities Act.

Each Dealer has further represented and agreed that, prior to the issuance of Index Linked Notes, the Issuer and the Dealer or Dealers intending to purchase such Notes shall consult U.S. counsel, and each Dealer or Dealers shall offer, sell and deliver such Notes only in compliance with such additional U.S. restrictions as such U.S. counsel may advise.

United Kingdom

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has represented to and agreed with, or will represent to and agree with, the Issuer that:-

- (a) in relation to Notes of any Tranche which have a maturity of one year or more and which are to be listed on the London Stock Exchange, it has not offered or sold and will not offer or sell Notes of any Tranche to persons in the United Kingdom prior to the admission of the Notes of such Tranche to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the FSA;
- (b) in relation to Notes of any Tranche which have a maturity of one year or more and which are not to be listed on the London Stock Exchange, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of the Notes of such Tranche, will not offer or sell any Notes of such Tranche to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (c) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and
- (d) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with any issue of Notes, other than, in relation to any Notes to be listed on the London Stock Exchange, any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997) or is a person to whom such document may otherwise lawfully be issued or passed on.

Japan

Each Dealer has understood that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese person, or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Federal Republic of Germany

Each Dealer has confirmed that (a) it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been nor will be published in respect of the Programme; and (b) it will comply with the Securities Selling Prospectus Act (the "Act"), as amended, (*Wertpapier-*

Verkaufsprospektgesetz). In particular each Dealer has undertaken not to engage in public offerings (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Notes issued under the Programme otherwise than in accordance with the Act and all other legal and regulatory requirements governing the issue and sale of securities.

The Republic of France

Each of the Dealers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France, and that offers and sales of Notes in the Republic of France will be made in accordance with Article 6 of the Ordinance no. 67-833 dated 28 September 1967, as amended and Decree no. 98-880 dated 1 October 1998 relating to offers to a limited number of investors and/or qualified investors.

In addition, each of the Dealers has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Information Memorandum or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described above.

GENERAL INFORMATION

1. The listing of each Series of Listed Notes on the London Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest). The listing of the Programme on the London Stock Exchange is expected to be granted on 25 June 1999. Any Tranche of Notes intended to be listed on the London Stock Exchange will be admitted to the Official List upon submission to the London Stock Exchange of the relevant Pricing Supplement and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the date of the transaction.

However, Notes may be issued pursuant to the Programme which will not be listed on the London Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

2. Save as disclosed herein, since 31 December 1998, there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Bank and its subsidiary undertakings (taken as a whole).

3. Neither the Bank nor any of the Bank's subsidiary undertakings is or has been engaged in any legal or arbitration proceedings (nor so far as the Bank is aware are legal or arbitration proceedings pending or threatened against the Bank or any of its subsidiary undertakings) which may have or have had during the previous 12 months a significant effect on the financial position of the Bank and its subsidiary undertakings (taken as a whole).

4. KPMG Audit Plc Chartered Accountants has audited without qualification the Annual Report and Accounts of Midland for the financial years ended 31 December 1996, 1997 and 1998.

5. KPMG Audit Plc has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included and has authorised the contents of that part of the listing particulars for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

6. The establishment and continuation of the Programme was authorised by resolutions of a Committee of the Board of Directors of the Bank passed on 25 May 1994, 29 June 1995, 28 June 1996, 25 June 1997, 24 June 1998 and 23 June 1999.

7. From the date of this document and throughout the life of the Programme, copies of the Certificate of Incorporation of the Bank, the Memorandum and Articles of Association of the Bank, the consolidated Annual Report and Accounts of the Bank in respect of each of the financial years ended 31 December 1997 and 1998 (including all notes, reports and information required by the Companies Acts 1985 and 1989), all future consolidated Annual Reports and Accounts of the Bank, Statements of Interim Results of the Bank, any documents incorporated by reference into this document, the current listing particulars in relation to the Programme, together with any amendments or supplements thereto, (in relation to Listed Notes only) any future Pricing Supplements, the Trust Deed, the Agency Agreement, the Dealer Agreement and the consent of KPMG Audit Plc, referred to above will be available for inspection, during normal business hours at the principal office of the Trustee and at the registered office of the Bank.

8. Where any Subordinated Notes or Undated Subordinated Notes form part of the regulatory capital of the Bank, no repayment of such Notes will be made without the prior consent of the Financial Services Authority (or any successor authority in its function as the supervisor of authorised institutions).

9. The Notes have been accepted for clearance through Euroclear and Cedelbank. Each Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be set out in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system (including Sicovam) as shall have accepted the relevant Notes for clearance together with any further appropriate information.

10. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.

11. Only in the case of Unlisted Notes, Definitive Notes may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Pricing Supplement.

12. In relation to the Bank, any transfer of, or payment in respect of, a Note or Coupon involving the government of any country which is currently the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions.

13. For so long as Notes are capable of being issued under the Programme and are listed on the **PARISBOURSE**, the following documents may be inspected during normal business hours at the address specified for such purpose in the Pricing Supplement relating to such Notes:

- (a) the *statuts* (together with French translation thereof) of the Issuer;
- (b) the Dealer Agreement;
- (c) the Agency Agreement;
- (d) the Trust Deed;
- (e) the audited financial statements of the Issuer together with all other audited annual financial statements of the Issuer subsequent to 31 December 1998;
- (f) any Pricing Supplement in relation to any Tranche which is listed on the **PARISBOURSE**; and
- (g) the Information Memorandum and any document incorporated by reference therein prepared in relation to the Programme.

14. Paris Listing Information

Under the French Minister of Economy Guidelines, it is recommended that Notes which are, or are intended to be, distributed as a public offer in France be listed on the **PARISBOURSE**. The following procedures will apply, *inter alia*, to the Notes which are to be so listed.

(a) *Commission des Opérations de Bourse*

Prior to listing of any Notes on the **PARISBOURSE**, the COB is required to approve the Information Memorandum. In addition, the Pricing Supplement applicable to each issue of Notes to be listed on the **PARISBOURSE** is currently required to be approved at the time of the relevant issue. The relevant approval in relation to the Programme will be evidenced by the issue of a registration number by the COB. The registration number will be disclosed in the Information Memorandum. The relevant approval in relation to each issue will be evidenced by the issue of the visa number by the COB. The visa number will be disclosed in the Pricing Supplement applicable to the relevant Notes.

(b) *PARISBOURSE SBF S.A.*

The listing of Notes on the **PARISBOURSE** is subject to approval by the **PARISBOURSE**. Such approval will be evidenced by publication of a notice in the *Bulletin de la PARISBOURSE*. Such publication will be made in one notice published in connection with a particular issue of Notes or in two notices, the first published in relation to the Programme generally and the second published in connection with a particular issue of Notes incorporating by reference the contents of the first notice (to the extent not modified in the second notice).

(c) *Bulletin des Annonces Légales Obligatoires ("BALO")*

Notes to be listed on the **PARISBOURSE** may not be offered in France and the publication of the Pricing Supplement applicable thereto must not be made before such listing becomes effective and details of the relevant Notes (in the form of a *notice légale*) have been published in connection with a particular issue of Notes.

(d) *Documents available for inspection*

In the case of Notes listed on the **PARISBOURSE**, the applicable Pricing Supplement will specify the additional place in Paris at which documents incorporated herein by reference in the Information Memorandum (or otherwise required to be made available for inspection) may be inspected during normal business hours. The Issuer has undertaken to make such documents available as so required.

(e) *Responsibility Statement*

The responsibility statement follows:

PERSONNES QUI ASSUMENT LA RESPONSABILITE DU DOCUMENT DENOMME "INFORMATION MEMORANDUM" EN CE QUI CONCERNE LES TITRES QUI SERONT NEGOCIES AU PREMIER MARCHE (COMPARTIMENT INTERNATIONAL) DE LA BOURSE DE PARIS

Au nom de Midland Bank plc

A la connaissance de Midland Bank plc, en tant qu'émetteur, les données du présent document dénommé "Information Memorandum" sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

.....
D W Baker

Midland Bank plc

Au nom de la Banque Présentatrice

A la connaissance de la Banque Présentatrice, les données du présent document dénommé "Information Memorandum" en ce qui concerne les titres qui sont admis au Premier Marché (Compartiment International) de la Bourse de Paris sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

.....
R J Moseley

Midland Bank plc, Paris Branch

NUMERO D'ENGREISTREMENT DE LA COMMISSION DES OPERATIONS DE BOURSE

En vue de la cotation à Paris des titres éventuellement émis dans le cadre du présent Programme, et par application des articles 6 et 7 de l'ordonnance n°. 67-833 du 28 septembre 1967 telle que modifiée, la Commission des Opérations de Bourse a enregistré le présent document dénommé "Information Memorandum" sous le numéro P.99-296 du 24 juin 1999.

HEAD AND REGISTERED OFFICE OF MIDLAND BANK PLC

Poultry
London EC2P 2BX

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Princes House
95 Gresham Street
London EC2V 7LY

PRINCIPAL PAYING AGENT AND REGISTRAR

Midland Bank plc

Mariner House
Pepys Street
London EC3N 4DA

UBS AG

45 Bahnhofstrasse
PO Box CH-8098
Zurich Switzerland

AGENT BANK

Midland Bank plc

Mariner House
Pepys Street
London EC3N 4DA

LISTING AGENT

Midland Bank plc

Thames Exchange
10 Queen Street Place
London EC4R 1BQ

DEALERS

Midland Bank plc
Thames Exchange
10 Queen Street Place
London EC4R 1BQ

HSBC Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien
Königsallee 21/23
D-40212 Düsseldorf
Germany

LEGAL ADVISERS TO THE ISSUER

as to English law
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

LEGAL ADVISERS TO THE TRUSTEE

as to English law
Allen & Overy
One New Change
London EC4M 9QQ

AUDITORS TO MIDLAND BANK PLC

KPMG Audit Plc

1-2 Dorset Rise
London EC4Y 8AE