

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 Paris Bourse.

For the sole purpose of listing Notes on the Paris Bourse, 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.98-289 on 25 June 1998.

Programme Arranger and Dealer
French Franc Arranger and Dealer

HSBC Markets

Deutsche Mark Arranger and Dealer

HSBC Trinkaus

Trinkaus & Burkhardt KGaA

26 June 1998



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 any pricing supplement (each a "Pricing Supplement") 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 creditworthiness, 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 45).

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 lawful currency of the Federal Republic of Germany, all references to "French Francs" and "FRF" are to the lawful currency of the Republic of France and all references to "euro" and "EUR", are to the lawful currency of the member states of the European Union that adopt 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.

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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 from time to time 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 Paris Bourse, 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:	Other than in respect of Notes denominated in Deutsche Marks, HSBC Markets Limited. HSBC Markets Limited is Appointed Representative of Midland Bank plc. In respect of Notes denominated in Deutsche Marks ("Deutsche Mark Notes"), Trinkaus & Burkhardt KGaA.
Dealers:	Midland Bank plc, 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, (i) only credit institutions domiciled in Germany (which expression includes German branches of foreign banks) may act as dealers with respect to issues of Deutsche Mark Notes (except in the case of an issue of Deutsche Mark Notes on a syndicated basis, which will be lead managed by a credit institution domiciled in Germany) and (ii) 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 denominated in French Francs, or denominated in another currency or other currencies, but linked, directly or indirectly, to French Francs ("French Franc Notes") and (b) act as lead manager of issues of French Franc Notes issued on a syndicated basis.
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, Deutsche Marks, euro, European Currency Units, French Francs, Hong Kong Dollars, Italian Lire, Japanese Yen, Pounds Sterling, Swiss Francs and United States 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 French Franc Notes will be made in compliance with the rules and regulations relating to the <i>marché de l'euro franc</i> from time to time of the <i>Comité des Emissions</i> ("Euro French Franc Regulations").</p>

As at the date hereof, French Franc Notes, principal or interest in respect of which is linked to a benchmark or an index must be issued in compliance with the *Principes Généraux établis par la COB et le CBV relatifs à l'émission en France ou sur le marché international et à l'admission à la cote officielle de warrants et d'obligations complexes* — the general guidelines established by the COB and the *Conseil des Bourses de Valeurs* (the "CBV") (or any successor to the CBV) for the issue in France or on the international market of warrants and structured bonds and their admission to the official list of the Paris Bourse. ("*Principes Généraux*").

Maturities:	<p>No minimum or maximum maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements.</p> <p>As at the date hereof, Deutsche Mark Notes may not have an original maturity of less than two years and French Franc Notes may not have an original maturity of less than one year. These limits may be subject to change as a result of legal or regulatory changes.</p>
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:	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.
	The basis on which interest shall be calculated on Fixed Rate Notes will be as set out in the relevant Pricing Supplement.
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:	<p>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.</p> <p>In relation to public issues of French Franc Notes, the minimum aggregate principal amount of any Tranche of such Notes shall be FRF 300,000,000. As at the date hereof, under the current Euro French Franc Regulations, private placements of French Franc Notes shall be construed as issues of French Franc Notes placed on a firm basis with a small number of pre-determined non-resident investors.</p>
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:	<p>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.</p> <p>As at the date hereof, French Franc Notes may not be redeemed (other than for taxation reasons or upon enforcement) prior to one year from their date of issue and Notes denominated in Deutsche Marks may not be redeemed (other than for taxation reasons or upon enforcement) prior to two years from their date of issue.</p>
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 Cedel Bank, société anonyme ("Cedel Bank") and/or (in the case of Notes listed on the Paris Bourse) 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 installments, 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.

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 Cedel Bank and/or (in the case of Notes listed on the Paris Bourse) 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:	<p>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".</p>
Status of Notes other than Subordinated Notes and Undated Subordinated Notes:	<p>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.</p>
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:	<p>The Notes of each Series of Undated 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 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.</p> <p>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.</p> <p>In certain circumstances payments of interest in respect of Undated Subordinated Notes may be deferred.</p>
Listing:	<p>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").</p> <p>The Euro French Franc Regulations recommend the listing of French Franc Notes on the Paris Bourse where (i) such French Franc Notes are, or are intended to be, listed on any other stock exchange, or (ii) such French Franc Notes are, or are intended to be, distributed as a public offer in the Republic of France (within the meaning of the Euro French Franc Regulations).</p>

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 Paris Bourse, 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, Cedel Bank and/or (in the case of Notes listed on the Paris Bourse) 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 fall back 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/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, Cedel Bank, (in the case of Notes listed on the Paris Bourse) Sicovam or other clearing system or depository.
 - (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 Cedel Bank and/or (in the case of Notes listed on the Paris Bourse), 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 Cedel Bank or (in the case of Notes listed on the Paris Bourse) 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, Cedel Bank, (in the case of Notes listed on the Paris Bourse) 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 Cedel Bank and/or (in the case of Notes listed on the Paris Bourse) 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 Cedel Bank and/or (in the case of Notes listed on the Paris Bourse) 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 depository) 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 depository) has been received by Euroclear or Cedel Bank or (in the case of Notes listed on the Paris Bourse) Sicovam or any other relevant clearing system or depository. Payments of amounts due in respect of a Permanent Global Note will be made through any of Euroclear or Cedel Bank or (in the case of Notes listed on the Paris Bourse) Sicovam or any other relevant clearing system or depository 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 Cedel Bank or (in the case of Notes listed on the Paris Bourse) Sicovam or any other relevant clearing system or depository 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 bene 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 a bank if its allowable 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 are open for business 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) ECU, a day which is an ECU Settlement Day, (ii) euro, a day which is a euro Business Day as defined in Condition 9(b) or (iii) any other currency, a day on which commercial banks and foreign exchange markets are open for business in the principal financial centre or centres of the country of such currency.

In these Conditions **"ECU Settlement Day"** has the meaning ascribed to it in the ISDA Definitions (as defined in Condition 8(c)) but disregarding for this purpose, paragraph (b) thereof contained in the ISDA definitions.

(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 are open for business in the principal financial centre or centres of the country of such currency (or, in the case of ECU, an ECU Settlement Day or, in the case of euro, a euro Business Day) 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 Cedel Bank and/or (in the case of Notes listed on the Paris Bourse) 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 the relevant tax authorities 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 (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorised foreign exchange bank), or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorised foreign exchange bank 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 are open for business and settle payments 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 ECU, an ECU Settlement Day, or, in the case of payments which fall to be made in euro, a euro Business Day) 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 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.

(d) Value of the ECU

The following provisions of this Condition 8 are applicable in relation to Notes denominated in ECU or Notes having the ECU as a currency by reference to which any amount falls to be determined or in which any payment falls to be made.

For the purposes of these Conditions and subject as provided below, the ECU in which the Notes are denominated is the same as the ECU, as referred to in Article 109g of the Treaty establishing the European Communities, as amended by the Treaty on European Union (the **"Treaty"**) and as defined in Council Regulation (EC) No. 3320/94, that is from time to time used as the unit of account of the European Communities. Changes to the ECU may be made by the European Communities, in which event the ECU will change accordingly.

(e) Payments in a Component Currency of ECU

Subject as set out below, in the event that the ECU is used neither as the unit of account of the European Communities nor as the currency of the European Union, then with effect from the ECU

Conversion Date, any obligation under the terms of any Notes to make a payment in ECU will be replaced by an obligation on the part of the Issuer to make payment in the Selected Currency in the Equivalent Amount.

For the purposes of these Conditions:

- (i) **"Component Amount"** means, in respect of a Component Currency, the number of units (including decimals) of that currency represented in the ECU on the ECU Conversion Date;
- (ii) **"Component Currency"** means any currency that, on the ECU Conversion Date, is a component currency of the ECU;
- (iii) **"ECU Conversion Date"** means the last day on which the ECU was used as the unit of account of the European Communities;
- (iv) **"Equivalent Amount"** means, in respect of a Selected Currency, an amount determined by the Principal Paying Agent by adding the results obtained by converting the Component Amount of each Component Currency into United States dollars at the Market Exchange Rate for converting that Component Currency into United States dollars and then converting the sum of those United States dollar amounts (unless the Selected Currency is the United States dollar) into the Selected Currency at the Market Exchange Rate for converting United States dollars into the Selected Currency;
- (v) **"Market Exchange Rate"** means, in respect of any Component Currency or the United States dollar, the arithmetic mean of the middle spot delivery quotations for that currency for cable transfers quoted at approximately 2.30 p.m. (London time) on the Valuation Date by three leading foreign exchange dealers, selected by the Principal Paying Agent, in the Relevant Financial Centre for the relevant Component Currency or, as the case may be, the United States dollar; in the event that quotations are not available for a currency as of the Valuation Date from any of the banks selected by the Principal Paying Agent for this purpose because foreign exchange markets are closed in the country of issue of the currency or for any other reason, the most recent direct quotations for the currency obtained by, or on behalf of, the Principal Paying Agent shall be used in computing the Equivalent Amount of the Selected Currency on the Valuation Date if those rates were prevailing in the country of issue not more than two Banking Days (as defined below) before the Valuation Date; if the only rates available for such purpose are as of a date more than two Banking Days before the Valuation Date, the Principal Paying Agent shall convert the Component Amount into United States dollars or that amount into the Selected Currency on the basis of cross rates derived from the arithmetic mean of the middle spot delivery quotations for such currencies prevailing at approximately 2.30 p.m. (London time) on the Valuation Date, as obtained by the Principal Paying Agent from one or more major banks, in a country other than the country of issue of such currency; for the purpose of determining a Market Exchange Rate, quotations will be obtained from the market in which a non-resident issuer of securities denominated in that currency would purchase that currency in order to make payment for the securities;
- (vi) **"Selected Currency"** means a currency selected by the Trustee from among the Component Currencies and the United States dollar;
- (vii) **"Valuation Date"** means, in respect of any payment deemed to be payable in Selected Currency, the day that is four Banking Days preceding the due date of the applicable payment.

For the purposes of this Condition 8(e), and any other provision of these Conditions notwithstanding, **"Banking Day"** means a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and in the principal financial centre or centres for the relevant Component Currency.

The determination by the Principal Paying Agent of all rates and amounts for the purposes of this Condition 8(e) shall, in the absence of manifest error, be final and binding on the Issuer and the Holders of Notes and Coupons. The Principal Paying Agent will notify the Issuer, the Paying

Agents or, as the case may be, the Registrar of the Selected Currency and of all rates and amounts determined by it for the purposes of this Condition 8(e) (from whose respective specified offices such information will be available).

From the start of the third stage of European monetary union, all payments which under the terms of any Notes are to be made in ECU will be made in euro at the rate of one euro for one ECU and this Condition 8(e) will not result in an obligation to make a payment in ECU being replaced by an obligation to make a payment in a Selected Currency in such circumstances.

9. Redenomination

(a) General

Where redenomination is specified in the relevant Pricing Supplement as being applicable, 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 the 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 as is equivalent to its denomination in the Relevant Currency (as specified in the relevant Pricing Supplement) converted into euro at the rate for the conversion of the Relevant Currency into euro established by the Council of the European Union pursuant to Article 109(4) of the Treaty (including compliance with rules relating to roundings in accordance with European Communities regulations);
- (ii) all payments in respect of the Notes, other than 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 euro cheque or, at the option of the payee, by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;
- (iii) where exchange is specified in the relevant Pricing Supplement as being applicable, the Issuer may elect that the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, with the prior approval of the Trustee, and as may be specified in the notice designating the Redenomination Date, including arrangements under which Coupons unmaturing at the date so specified become void;
- (iv) if the Notes are Fixed Rate Notes and interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls 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);
- (v) if the Notes are Floating Rate Notes, any applicable changes to the provisions relating to interest will be specified in the relevant Pricing Supplement; and
- (vi) 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) *Definitions*

As used in these Conditions:

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

"euro Business Day" means a day on which the TARGET System is open;

"Redenomination Date" means a date which:

- (i) in relation to interest-bearing Notes, shall be a date for payment of interest;
- (ii) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (iii) either:
 - (a) falls on or after the start of the third stage of economic and monetary union pursuant to the Treaty; or
 - (b) if the country of the Relevant Currency is not one of the countries then participating in such third stage, falls on or after such later date as it does so participate.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

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 hereinbefore 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 Paris Bourse 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 Paris Bourse (so long as such Notes are listed on the Paris Bourse 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.

(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 ("MIDLAND")

Principal activities, objects and principal place of business

The principal objectives of the Bank (which are set out in Clause 4 of its Memorandum of Association) are to carry on in any part of the world the business of banking of all kinds and to transact and do all matters and things incidental thereto. Midland is engaged principally in the provision of a comprehensive range of banking, financial and related services. The Bank's principal place of business in the United Kingdom is 27/32 Poultry, London, EC2P 2BX.

The Bank is incorporated in England and the entire issued ordinary share capital and the one preferred ordinary share of the Bank are owned by HSBC Holdings plc ("HSBC"). HSBC and its subsidiary undertakings (the "HSBC Group") is one of the largest banking and financial services organisations in the world with over 5,500 offices in 79 countries and territories. Its total assets at 31 December 1997 were £286.4 billion.

The Bank is one of the principal UK clearing banks. At 31 December 1997, Midland's total assets were £102.1 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, Commercial Banking and, through its subsidiary undertaking Forward Trust Group Limited, Asset Finance. Detailed segmental information by geographic region, and by class of business is shown in Note 34 of the Notes on the Annual Report and Accounts 1997.

Commercial Banking

Commercial Banking comprises UK Banking, HSBC MIDLAND and International Banking.

UK Banking

Midland's banking network in the United Kingdom provides banking and related financial services to the personal and business markets. The main services provided are:

- Current Accounts—The key to the customer relationship continues to be the provision of current account facilities. At 31 December 1997, Midland had approximately 4.7 million personal current accounts and 0.7 million business current accounts.
- Loans—Midland provides a wide range of lending services for personal and business customers.

The Bank is actively increasing its domestic house mortgage portfolio, providing a range of fixed and variable rate mortgages and equity release loans. In a strong market, the Bank's mortgage book grew by three times the national average in 1997 and its total portfolio exceeded £11 billion at 31 December 1997.

- Savings Accounts—The Bank offers a range of term and notice savings accounts and a flexible range of accounts linked to money market rates, which are available both for the personal and small business markets. During 1997, Midland increased its interest rates on instant access accounts, a forerunner to a comprehensive review of the Bank's saving products.
- Personal Financial Services—The Bank sells life, pensions, investments and general insurance products and, under the terms of the UK Financial Services Act 1986, acts as "company representative" for the sale of regulated products, sourced from Midland Life Limited and Midland Unit Trust Management Limited. Midland also offers Offshore personal investment advice, selling the Offshore life and investment products of Midland Life International Limited and Midland Bank Fund Managers (Jersey) Limited.

Midland has a dedicated salesforce of approximately 1050 Financial Planning Managers and 300 Financial Planning Officers within the retail branch network. The salesforce also provides advice on mortgages and on the appropriate repayment vehicle. Additionally, a wide range of general insurance products are sold, both through the retail branch network and by telephone under the branding of "Midland Direct".

Sales of life, pensions and investment products in 1997 were 12 per cent. above 1996 levels, measured in terms of commission earned. At 31 December 1997 Midland had a 1.3 per cent. share of the personal annual premium life and pensions market, and a 1.8 per cent. share of the personal lump sum investment market (life, unit trusts and pensions). Midland is a market leader in critical illness protection products. Funds under management of Midland Life amounted to £2.6 billion at 31 December 1997 (£1.9 billion in 1996). Funds under management of Midland Unit Trust Management amounted to £2.4 billion at 31 December 1997 (£1.8 billion in 1996).

In March 1998, the Financial Services Authority issued a consultative document which included draft proposals to extend the scope of its review of pension transfers, and non-joiners and opt-outs of occupational pension schemes to include those cases previously classified as non-priority. Provision has been made in prior years for compensation potentially payable to customers disadvantaged as a result of inappropriate pensions advice, but the total potential liability cannot be determined with certainty.

Private Banking—The Bank provides broadly-based investment management and independent financial advisory services to more affluent personal customers. This service is available from 30 offices alongside retail bank branches, providing a local service to clients. Funds under management at Private Banking amounted to £3.0 billion at 31 December 1997 (£2.4 billion in 1996).

- **Cards**—The Bank issues credit cards under both the MasterCard and VISA payment schemes. A full range of card products is offered to customers including mass, "gold", co-branded, affinity and private label cards. For business customers, the Bank provides business, corporate and purchasing cards.

In addition to the existing Switch debit card, a new product, the SOLO debit card, was launched in 1997 providing positive authorisation for every transaction, extending debit card facilities to over 600,000 customers previously restricted to a cash machine card.

Besides issuing cards, the Bank is a major merchant acquirer for both credit card and debit card transactions.

In 1995, the Bank commenced a pilot programme with National Westminster Bank plc and British Telecommunications plc to evaluate Mondex, a "smart card" electronic cash payment system. Additional pilot schemes were undertaken during 1997 to help develop this concept.

- **Clearing Services**—The Bank is one of the principal UK clearing banks for both paper and electronic clearing.
- **ATMs**—The Bank has a comprehensive self service automated teller machine ("ATM") network, consisting of approximately 2,150 machines sited at Midland branches and approximately a further 500 at non-branch sites such as supermarkets and underground stations. These, together with reciprocal arrangements with other banks, form part of a UK network of in excess of 13,500 ATMs available to Midland's customers. Internationally, approximately 300,000 ATMs are available through the CIRRUS acceptance mark.
- **Direct Banking**—Through First Direct, a division of the Bank, a full personal banking service is provided via the telephone, 24 hours a day, 365 days a year. It primarily targets customers who seek a fast, convenient and competitively-priced service. First Direct piloted a PC banking service in 1997 and this will be made more widely available in 1998.

First Direct is the market leader in person to person, 24 hour banking in the United Kingdom, and plans further growth in 1998. It has achieved a competitive advantage through high service quality and competitive pricing. As at 31 December 1997, First Direct had approximately 780,000 cheque account customers, of which over 75 per cent. were new to Midland.

With effect from 1 January 1997, the loan portfolio and business of Forward Trust Personal Finance Limited were transferred from Forward Trust Group Limited to First Direct. This business has been re-named First Direct Business to Business and is developing customer relationships by offering its 400,000 customers a wider range of product and services.

- **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 Securities Services provides comprehensive custody services to a wide range of clients. As well as providing domestic custody in the UK market, Midland Security Services is the global custodian for the HSBC Group, and it is one of the largest custodians in the world.
- **Trade Services**—HSBC Trade Services is the name under which the Bank provides a full range of trade and international banking services, including documentary credits, bills and short-term structured trade finance. By highlighting Midland's membership of the HSBC Group, this name emphasises the breadth of quality, experience and information technology support that is available worldwide to Midland's customers.
- **Corporate Banking**—Midland Corporate Banking has responsibility for the relationship management of the Bank's largest UK and international corporate and institutional clients. Relationships are managed through a number of specialist industry groups and close co-operation is maintained with all areas of Midland and the wider HSBC Group in order to provide customers with the broadest possible range of commercial and investment banking products and services. The Bank's retail branches handle the account maintenance requirements of the corporate customers managed by Midland Corporate Banking. The Bank, through Midland Corporate Banking, is a leading correspondent bank in London. The coverage and relationships of the HSBC Group have continued to strengthen this position.

The branch network is divided into five geographic divisions, each headed by a general manager. The size of Midland's traditional branch network remained static in 1997 at around 1,700 outlets. However, during 1997, Midland piloted in-store branches, opening eight full service branches and one kiosk within the stores of Wm Morrison Supermarkets plc under the name "Midland at Morrisons". Open the same hours as their host supermarkets, these outlets provide personal customers with the convenience of fulfilling their banking requirements at the same time as their shopping.

Midland is highly competitive in centralised processing and is at the forefront of installing imaging technology, operating one of the largest IBM document imaging systems in the world. Cheques and credits paid in through the retail branch network, along with the majority of customer instructions received by the branches, are processed centrally at 15 District Service Centres located around the United Kingdom.

Routine customer telephone calls are handled centrally by four Customer Service Centres which work in partnership with Midland's branches to provide a high standard, extended hours telephone service, with a Welsh language service available if preferred. Receiving around 100,000 calls each day through these Customer Service Centres, this makes Midland, when combined with First Direct, the biggest centralised telephone banking service in the United Kingdom. Customers are also offered 24 hour access to an Interactive Voice Response ("IVR") Balance Enquiry Service.

Midland continues to focus on the quality of service it provides and regularly asks its customers for their opinions. Midland has differentiated itself from its competitors by offering a service guarantee for personal customers opening their account with the Bank, under which the customer is paid £10 each time guaranteed levels of service are not met. This ensures high standards are maintained as well as encouraging new customers to come to Midland to open their accounts. Midland has a number of high street branches open for service on Saturdays. This service provided to customers has been enhanced over the last year by the provision of a full counter service in nearly 300 branches.

Midland moved to simplify its charges in the personal market through the launch of the new Midland Bank Account announced in January 1997. The account has no monthly service charge for authorised borrowing, a £50 "buffer" zone for those who accidentally overdraw and credit interest. This change has helped contribute towards an increase in new accounts.

In the Youth sector, almost one third of new students chose Midland as their main bank. Midland now has an overall market share of 25 per cent. of all accounts of young people aged between 16 and 20.

Midland has increased its market share of business start-ups. The tariff for small businesses has remained unchanged since December 1990. Overall Midland opened 30 per cent. more business accounts than in 1996, helped by our community banking strategy.

During 1997, recognising that different business communities have different needs, Midland established six new offices to offer a dedicated service for South Asian business customers.

The Bank continues its drive to cut costs and improve customer service by investing in new technology, transaction processing facilities and enhanced self service equipment. Over 200 branches have self service lobbies providing 24 hour access and, as technology has automated and streamlined certain processing activities in the branches, more space and better facilities have been made available for customers in the banking hall.

HSBC MIDLAND

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

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 direct through Midland Bank plc's FX-Direct foreign exchange dealing system. Nine UK metropolitan-based 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 was named the capital's best foreign exchange bank by *Euromoney* magazine in 1997. HSBC MIDLAND is also a prominent participant 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, 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. HSBC Futures provides comprehensive coverage of the London International Financial Futures and Options Exchange and has achieved a prominent position in terms of market share globally. It is also represented on most of the leading overseas financial futures exchanges.

On 1 April 1998, the business of HSBC Greenwell was transferred to and combined with the activities of the Bank.

International Banking

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

In 1997, Midland had offices based in 30 countries and territories, principally in continental Europe, with a number of offices in Latin America.

Midland has branches in Australia, the Czech Republic (opened in April 1997), France, Greece, Guernsey, the Isle of Man, Italy, Japan, Jersey, Malta, Panama, Spain, Sweden and the United States.

Midland has representative offices in Argentina, Brazil, Chile, Colombia, Hong Kong, Ireland, Mexico, Russia, Singapore, Taiwan and Venezuela.

Midland also operates through the following overseas subsidiary undertakings: in Armenia - Midland Armenia Bank JSC; in Cayman - Midland Bank Trust Corporation (Cayman) Limited; in Greece - Midland Pantelakis Securities 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 - Midland Bank AS.

In addition, Midland has a minority shareholding in British Arab Commercial Bank Limited. Midland's minority shareholding in Banco Roberts S.A., Argentina, was transferred to HSBC Holdings BV in August 1997 following the HSBC Group's acquisition of the entire shareholding of Roberts S.A. de Inversiones.

On 31 December 1997 Midland transferred its interests in Trinkaus & Burkhardt KGaA and Guyerzeller Bank AG to another company in the HSBC Group.

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 conversion of debt. Long-term debt exposures and debt: equity investments in Latin America continue to be reduced.

Forward Trust Group

Through Forward Trust Group Limited and its subsidiary undertakings ("Forward Trust"), Midland is one of the principal suppliers in the United Kingdom of instalment finance, leasing and invoice finance products, mainly to business customers. Forward Trust is self-contained operationally, but works closely with UK Banking to provide comprehensive financial packages for a wide variety of customer requirements.

Forward Trust Group Limited offers a comprehensive range of motor finance products and related services to corporate customers under the Swan National brand, with a separate unit responsible for consumers and small businesses. Other Forward Trust Group Limited divisions are organised to finance commercial vehicles, plant and equipment and materials handling machinery. In addition; a specialised finance division arranges large and complex leases. In Northern Ireland a full range of products is offered through a branch network.

Forward Trust Rail Services Limited provides, through its subsidiary undertaking, Forward Trust Rail Limited, passenger rolling stock under operating leases to privatised train operators in the United Kingdom.

Griffin Credit Services Limited offers financing, credit management and credit protection services to business customers and recovery services for personal and corporate debt.

Millennium Risk Management

The Year 2000 has widespread implications for computer and other technology based systems and equipment. Besides the direct impact on Midland, the ability of customers and suppliers to handle these issues is essential. Midland is treating the Year 2000 programme as a critical priority and a detailed implementation plan has been established. Year 2000 preparations have been underway since 1993 and Midland is on target to reach Year 2000 compliance to British Standards Institution requirements on major systems, including testing, by 31 December 1998. The overall objective is to ensure that there is no disruption to customer service up to, during or after the turn of the millennium. Midland is also seeking assurances from suppliers that their systems pass the "Millennium test". It is also critical for Midland's business customers to address the Year 2000 issues and Midland is taking steps to alert customers to the risks and to prompt them into action to achieve Year 2000 compliance.

The total cost for the upgrade or replacement of software and equipment directly related to the Year 2000 programme is estimated to be £36 million and is being funded through operating cashflows. £6 million was expensed during 1997. Costs relating to major system changes that are not directly related to the Year 2000 but which do address some Year 2000 issues are not included in the above cost.

European Economic and Monetary Union

Throughout Midland's businesses, extensive preparations are being made for the single European currency, which will be introduced from 1 January 1999. Although the United Kingdom will not participate from the outset, many companies with operations in, or trading links with,

companies based in the euro area will be affected. Midland will therefore offer a range of services, including euro current accounts, payments and cash management services, loans and deposits, foreign exchange, derivatives and bond products, custody and trade services products. In addition, Midland will support its business customers with information to enable them to address the challenges and exploit the potential of European Monetary Union.

Canary Wharf

On 30 March 1998, HSBC Holdings plc announced its intention to develop a new headquarters building at London's Canary Wharf, bringing together some 8,000 staff from HSBC Holdings plc and its subsidiaries including Midland. Midland's site at Poultry will be retained as its flagship branch in London together with other London branches but its head office departments will relocate to the new building. It is intended that Midland will acquire the building comprising 1.1 million square feet area. The construction cost will be around £500 million and the relocation is expected to be implemented from the second half of 2001.

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
J.R.H. Bond	Chairman	Group Chairman, HSBC Holdings plc
K.R. Whitson	Deputy Chairman	Group Chief Executive, HSBC Holdings plc
W.R.P. Dalton	Chief Executive	
R.M.J. Orgill	Deputy Chief Executive	
D.W. Baker	Executive Director	
J.F. Devaney*	Non-Executive Director	Executive Chairman, Eastern Group PLC
R. Emerson*	Non-Executive Director	Director of Taxation and Treasury, Glaxo Wellcome plc
S.K. Green	Non-Executive Director	Executive Director Investment Banking and Markets, HSBC Holdings plc
A.J. Hales*	Non-Executive Director	Chief Executive, Allied Domecq PLC
Sir Wilfrid Newton*, CBE	Non-Executive Director	Chairman, Raglan Properties plc
A.C. Reed*	Non-Executive Director	Divisional Director, Financial Control, Marks & Spencer plc
H.A. Rose*	Non-Executive Director	Finance and Strategy Director, The Rover Group Limited

* denotes 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 1998:

	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	505
			Amount outstanding £m
Consolidated Loan Capital			
Undated subordinated loan capital of Midland Bank plc			
Undated Floating Rate Primary Capital Notes (U.S.\$750 million)			447
Undated Floating Rate Primary Capital Notes (U.S.\$500 million)			298
Undated Floating Rate Primary Capital Notes (Series 3) (U.S.\$300 million)			178
9 1/4% Step-up Undated Subordinated Notes			150
8.625% Step-up Undated Subordinated Notes			150
			1,223
Subordinated loan capital of Midland Bank plc			
Subordinated Floating Rate Notes 2001			250
8 1/8% Subordinated Notes 2004 (U.S.\$400 million)			237
9% Subordinated Notes 2005			200
7.625% Subordinated Notes 2006 (U.S.\$500 million)			298
14% Subordinated Unsecured Loan Stock 2002/2007			100
Subordinated Step-Up Coupon Callable Floating Rate Notes 2007 (U.S.\$50 million)			30
Subordinated Step-Up Coupon Floating Rate Notes 2007			149
6.95% Subordinated Notes 2011 (U.S.\$300 million)			179
7.65% Subordinated Notes 2025 (U.S.\$300 million)			177
			1,620
Subordinated loan capital of subsidiary undertakings			
7.55% Guaranteed Loan 1998 (Yen 6.3 billion)			28
7.25% Guaranteed Loan 1999 (Yen 3.0 billion)			14
7.41% Guaranteed Loan 1999 (Yen 10.0 billion)			45
Guaranteed Floating Rate Notes 1999 (U.S.\$200 million)			119
7 1/4% Dual Currency Guaranteed Bonds 1999 (Yen 5.0 billion)			23
Guaranteed Floating Rate Notes 1989/1999 (DM 200 million)			65
6.99% Guaranteed Loan 1999 (Yen 5.0 billion)			22
Guaranteed Floating Rate Unsecured Loan Stock/Notes 2001			1
12 3/4% Guaranteed Notes 2003 (U.S.\$150 million)			89
			406
Total Consolidated Loan Capital			3,249

Notes:

- (1) The ordinary share capital and the one preferred ordinary share of Midland Bank plc in issue are beneficially owned by HSBC.
- (2) On 12 June 1998, the Bank announced the issue of £200m 6 1/2 per cent. Subordinated Notes due 2023 to be issued on 7 July 1998.

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 1998.

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). 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 Cedel Bank 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 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 adopted a proposal for a Directive on the taxation of interest payments within the European Union. It is uncertain whether this proposal will be adopted as a Directive, and, if it is, whether it will be adopted in the form of the proposal. If adopted, the Directive would require legislation in individual Member States of the European Union in order to give it effect. In the form proposed, the Directive would require Member States to impose a withholding tax or information reporting obligation on "economic operators" (principally financial institutions) operating in a Member State and making a payment of interest directly to the beneficial owner of the interest payment.

SUBSCRIPTION AND SALE

Midland Bank plc and Trinkaus & Burkhardt KGaA, (the "Dealers") have in a dealer agreement dated 26 June 1998 (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 restricted 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") of the Federal Republic of Germany

(*Wertpapier Verkaufsprospektgesetz*). In particular each Dealer has undertaken not to engage in public offering (*öffentliche Anbieten*) in the Federal Republic of Germany with respect to any Notes issued under the Programme otherwise than in accordance with the Act and any other act replacing or supplementing the Act and all other applicable laws and regulations.

The Republic of France

Each Dealer has represented and agreed that the Notes are being issued outside the Republic of France and that, in connection with an initial distribution, 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 it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France the Information Memorandum or any other offering material relating to the Notes.

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 26 June 1998. 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 relevant Issuer and the relevant Dealer(s) may agree.

2. Save as disclosed herein, since 31 December 1997, 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 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 Chartered Accountants, Registered Auditors have audited without qualification the Annual Report and Accounts of Midland for the financial year ended 31 December 1995. KPMG Audit Plc has audited without qualification the Annual Report and Accounts of Midland for the financial years ended 31 December 1996 and 1997.

5. KPMG Chartered Accountants, Registered Auditors have given and not withdrawn their written consent to the issue of this document with the inclusion herein of their name in the form and context in which it is included and have authorised the contents of that part of the listing particulars for the purposes of Section 152(1)(e) of the Financial Services Act 1986. 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 and 24 June 1998.

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 (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, the current listing particulars in relation to the Programme, together with any amendments or supplements thereto and any documents incorporated therein by reference and (in relation to Listed Notes only) any future Pricing Supplements and copies of 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 Cedel Bank. 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. Under Article 109g of the Treaty, the currency composition of the ECU may not be changed. The Treaty contemplates that European Economic and Monetary Union will occur in three stages, the second of which began on 1 January 1994 with the entry into force of the Treaty on European Union. The Treaty provides that the third stage of European Economic and Monetary Union will start on 1 January 1999 and on that date the value of the ECU as against the currencies of the member states participating in the third stage will be irrevocably fixed and the ECU will become a currency in its own right. On 17 June 1997, the Council of the European Union adopted Council Regulation (EC) No 1103/97, which recites that the name of that currency will be the euro and provides that, in accordance with the Treaty, references to the ECU will be replaced by references to the euro at the rate of one euro for one ECU. From the start of the third stage of European Economic and Monetary Union, all payments in respect of the notes denominated in ECU will be payable in euro at the rate of one euro for one ECU.

14. For so long as Notes are capable of being issued under the Programme and are listed on the Paris Bourse, 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 1997;
- (f) any Pricing Supplement in relation to any Tranche which is listed on the Paris Bourse; and
- (g) the Information Memorandum and any document incorporated by reference therein prepared in relation to the Programme.

16. Paris Listing Information

Under current regulations made by the French *Trésor*, it is recommended that French Franc Notes be listed on the Paris Bourse where either (a) such French Franc Notes are, or are intended to be, listed on any other stock exchange or (b) such French Franc Notes are, or are intended to be, distributed as a public offer (within the meaning of the rules and regulations relating to the *marché de l'euro franc* from time to time issued by the *Comité des Emissions*). The following procedures will apply, *inter alia*, to the French Franc Notes which are to be so listed.

(a) *Commission des Opérations de Bourse*

Prior to listing of any Notes (including French Franc Notes) on the Paris Bourse, 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 Paris Bourse 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) *Bourse de Paris ("SBF")*

The listing of Notes (including French Franc Notes) on the Paris Bourse is subject to approval by the SBF. Such approval will be evidenced by publication of a notice in the *Bulletin de la SBF – Bourse de Paris*. 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 French Franc 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 Paris Bourse 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 (including French Franc Notes) listed on the Paris Bourse, 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.

.....
R M J ORGILL

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 MOSELEY

Midland Bank plc, Paris Branch

NUMERO D'ENGREGISTREMENT 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.98-289 du 25 juin 1998.

HEAD AND REGISTERED OFFICE OF MIDLAND BANK PLC

27/32 Poultry
London EC2P 2BX

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

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95 Gresham Street
London EC2V 7LY

PRINCIPAL PAYING AGENT AND REGISTRAR

Midland Bank plc

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Pepys Street
London EC3N 4DA

AGENT BANK

Midland Bank plc

Mariner House
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London EC3N 4DA

LISTING AGENT

Midland Bank plc

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London EC4R 1BQ

DEALERS

Midland Bank plc

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Midland Bank

Member HSBC Group

MIDLAND BANK PLC ✓

(A company incorporated with limited liability in England with registered number 14259) ✓

Programme for the Issuance of Warrants

Midland Bank plc (in this capacity, the **"Issuer"** or the **"Bank"**) may from time to time issue warrants (the **"Warrants"**) under the programme (the **"Programme"**) described in this document upon the terms and conditions of the Warrants described herein as supplemented, in the case of each issue of Warrants, by a supplement (each a **"Supplement"**). Warrants of any series (each a **"Series"**) will give the holder thereof certain rights against the Issuer as described herein and in the relevant Supplement, which rights may include the right to receive a cash amount from the Issuer or the right to receive delivery of a specified asset or assets, including securities, against payment of a specified sum. Warrants may be issued with an issue price and a Strike Price (as defined herein) denominated in such currency or currencies as may be specified in the relevant Supplement, subject to all applicable consents being obtained and to compliance with all applicable legal and/or regulatory requirements.

Application has been made to the London Stock Exchange Limited (the **"London Stock Exchange"**) for Warrants issued under the Programme during the period of twelve months from the date hereof to be admitted to the Official List. Application may be made to list Warrants issued under the Programme on any other stock exchange. Warrants issued under the Programme may also be unlisted.

Neither the Warrants nor any securities to be issued or delivered upon their exercise have been or will be registered under the United States Securities Act of 1933, as amended (the **"Securities Act"**), and the Warrants may not be exercised within the United States by or on behalf of any U.S. person. In addition, trading in the Warrants has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. The Warrants are being offered outside the United States in accordance with Regulation S under the Securities Act (**"Regulation S"**) and may not at any time be offered, sold, delivered, traded or exercised directly or indirectly in the United States or to, by or for the account or benefit of U.S. persons, nor may any U.S. person at any time, directly or indirectly, maintain a position in the Warrants. Offers, sales, trading, deliveries or exercise of the Warrants in the United States or to, by or for the account or benefit of U.S. persons may constitute a violation of the Securities Act and United States law governing commodities trading, see **"Purchase and Selling Restrictions"** below. Exercise of a Warrant will be conditional upon written certification by each person exercising a Warrant to the effect that such person is not a U.S. person, the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with any exercise thereof.

With respect to Physical Settlement Warrants which relate to Securities which are an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offers of Securities Regulations 1995), the Issuer has not authorised any offer of such Warrants to the public in the United Kingdom within the meaning of the Regulations. Such Warrants may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of such Regulations or otherwise in compliance with all applicable provisions of such Regulations.

HSBC Markets

26 June 1998 ✓

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 any Supplement and with all documents incorporated by reference, provided that any such amendment or supplement and any such document incorporated by reference shall not form part of the particulars provided for the purpose of the listing of the Warrants contained in this document unless contained in supplementary particulars issued for such purpose.

This document comprises particulars issued in compliance with the listing rules made by the London Stock Exchange for the purpose of giving information with regard to the issue of Warrants under the Programme during the period of twelve months after the date of this document. The Supplement prepared in connection with any issue of Warrants listed on the London Stock Exchange will comprise supplementary particulars issued for such purpose.

No person has been authorised to give any information or to make any representation regarding the Issuer or the Warrants not contained in or consistent with this Information Memorandum, any documents incorporated by reference in this Information Memorandum, in any other document prepared in connection with the Programme or any Supplement or as expressly approved for such purpose by the Issuer. Any such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or Midland Bank plc in its capacity as principal warrant agent (the "**Principal Warrant Agent**"). Neither the delivery of this Information Memorandum or any documents incorporated by reference herein or any Supplement nor the offering, sale or delivery of any Warrants shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that the information contained in this 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.

Neither this Information Memorandum nor any Supplement constitutes an offer of or an invitation by or on behalf of the Issuer or the Principal Warrant Agent to subscribe for or purchase any of the Warrants in any jurisdiction or to any person to whom it is unlawful to make such offer or invitation in such jurisdiction. The distribution of this Information Memorandum and the offering of Warrants in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer and the Principal Warrant Agent to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sale of Warrants and on the distribution of this document, see "Purchase and Selling Restrictions" below.

In this Information Memorandum, unless otherwise specified or the context otherwise requires, references to "**Sterling**" or "**£**" are references to the lawful currency of the United Kingdom and references to "**Dollars**", "**\$**", "**U.S. Dollars**", "**U.S.\$**" and "**cents**" are references to the lawful currency of the United States of America and references to "**euro**" and "**EUR**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union. Any other currency referred to in any Supplement will have the meaning specified in the relevant Supplement.

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

All applicable provisions of the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with the issue of the Warrants may be issued or passed on only to persons (other than persons to whom such document may otherwise lawfully be issued) 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).

Physical Settlement Warrants which relate to Securities which are an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offers of Securities Regulations 1995 (the "**Regulations**")) may not be offered or sold 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 Regulations.

This Information Memorandum is issued by the Issuer, which is regulated by the Securities and Futures Authority.

Neither this Information Memorandum nor any other information supplied in connection with any Warrants is intended to provide the basis of any credit or other evaluation and should not be considered as recommendations by the Issuer or the Principal Warrant Agent that any recipient of this Information Memorandum or any other information supplied in connection with any Warrants should purchase any Warrants.

The treatment for taxation purposes of the acquisition, holding or disposal of, or other dealings with, Warrants may differ according to the jurisdiction in which the person acquiring, holding, disposing or dealing is subject to taxation. Any person intending to acquire, hold, dispose of or otherwise deal with a Warrant should inform himself as to the treatment for taxation purposes applicable to him.

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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 Issuer published from time to time by it; and
- (2) all amendments and supplements to this Information Memorandum prepared from time to time by the Issuer,

save that (i) any statement contained herein or in any Annual Report and Accounts or Statement of Interim Results of the Issuer 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 particulars provided for the purpose of the listing of Warrants contained in this document and (ii) any documents incorporated by reference do not form part of the particulars provided for the purpose of the listing of Warrants contained in this document.

The Issuer will provide a copy of any or all 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 Issuer's registered office at 27/32 Poultry, London EC2P 2BX.

TERMS AND CONDITIONS OF THE WARRANTS

The following are the terms and conditions of the Warrants which (subject to completion and amendment) will be applicable to each Series of Warrants, provided that the relevant Supplement in relation to any Warrants may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Warrants.

This Warrant is one of a series (each, a **"Series"**) of warrants (the **"Warrants"**) issued by Midland Bank plc in its capacity as issuer (the **"Issuer"**) pursuant to a second amendment and restatement agreement in relation to the warrant agreement dated 26 June 1998 (the **"Warrant Agreement"**), which expression shall include any amendments or supplements thereto) made between the Issuer and Midland Bank plc in its capacity as principal warrant agent (the **"Principal Warrant Agent"**), which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agreement) and as calculation agent (the **"Calculation Agent"**), which expression shall include any successor calculation agent appointed in accordance with the Warrant Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Supplement (as defined below)). As used herein, the expression **"Warrant Agents"** shall include the Principal Warrant Agent and any other warrant agents appointed in accordance with the Warrant Agreement. The following terms and conditions (the **"Conditions"**) include brief summaries of, and are subject to, certain provisions of the Warrant Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4) of the Warrant Agreement.

Each Series of Warrants may comprise one or more tranches (**"Tranches"** and each, a **"Tranche"**) of Warrants. Each Tranche will be the subject of a supplement hereto (each, a **"Supplement"**), a copy of which will, in the case of a Tranche in relation to which application has been made for listing on the London Stock Exchange (as defined below), be lodged with the London Stock Exchange and will be available for inspection at the specified office of the Principal Warrant Agent. In the case of a Tranche of Warrants in relation to which application has not been made for listing on the London Stock Exchange or for listing on any other stock exchange, copies of the relevant Supplement will only be available for inspection by a Holder (as defined in Condition 1) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Supplement, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

As used in these Conditions and in relation to any Series of Warrants, subject as otherwise provided herein:

"Basket" means, in respect of an Index Basket Warrant, a basket composed of each Index specified in the relevant Supplement in the relative proportions indicated in the Supplement and, in the case of a Securities Basket Warrant, a basket composed of Securities of each Relevant Issuer specified in the relevant Supplement in the relative proportions and numbers of Securities of each Relevant Issuer indicated in the Supplement;

"Business Day" means, unless otherwise specified in the relevant Supplement, a day (other than a Saturday or a Sunday) on which banks are open for business and carrying on foreign exchange transactions in London, the principal financial centre of the Settlement Currency and on which the relevant Clearing System is open for business and in the case of warrants denominated in, (i) ECU, a day which is a ECU Settlement Day, or (ii) euro, a day which is a euro Business Day;

"Cash Settlement" has the meaning ascribed thereto in Condition 3;

"Cash Settlement Amount" has the meaning ascribed thereto in Condition 3;

"Cash Settlement Payment Date" means, in respect of each Exercise Date, the date specified or otherwise determined as provided in the relevant Supplement provided that in the case of an Index Basket Warrant or a Securities Basket Warrant, if as a result of a Market Disruption Event there is, in relation to an Exercise Date, more than one Valuation Date with respect to Indices or Securities comprised in the Basket, then the relevant Cash Settlement Payment Date shall be determined by reference to the Valuation Date which is last to occur;

"CEA" means the United States Commodity Exchange Act, as amended;

"Cedel Bank" means Cedel Bank, société anonyme;

"Clearing System" means Euroclear, Cedel Bank and/or any other clearing system located outside the United States specified in the relevant Supplement in which Warrants of the relevant Series are held, or, in relation to an individual Warrant, that Warrant is held, for the time being;

"Clearance System Business Day" means, in respect of a Clearing System, any day on which such Clearing System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

"Determination Date" has the meaning ascribed thereto in the relevant Supplement;

"ECU Settlement Day" has the meaning ascribed to it in the ISDA definitions (but disregarding for this purpose, paragraph (b) thereof contained in the ISDA definitions);

"Euro", "euro" and "EUR" each means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the **"Treaty"**);

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system;

"euro Business Day" means a day on which the TARGET System is open;

"European Economic and Monetary Union" means economic and monetary union pursuant to the Treaty.

"European Currency Unit", "ECU" and "XEU" means the ECU, as referred to in Article 109g of the Treaty and as defined in Council Regulation (EC) No 3320/94, that is from time to time used as the unit of account of the European Community. Changes to the ECU may be made by the European Community, in which event the ECU will change accordingly;

"Exchange(s)" means, in respect of an Index relating to an Index Warrant or an Index Basket Warrant, each exchange or quotation system specified as such for such Index in the relevant Supplement and, in respect of a Security relating to a Securities Warrant or a Securities Basket Warrant, each exchange or quotation system specified as such for such Security in the relevant Supplement or any successor to such exchange or quotation system, provided, however, that if the specified Exchange ceases to list or otherwise include the relevant Security, the Principal Warrant Agent will, in its sole and absolute discretion, select another exchange or quotation system (if any) in relation to such Security;

"Exchange Business Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which trading on any such Exchange or Related Exchange is scheduled to close prior to its regular weekly closing time;

"Exercise Date" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) provided that:

- (i) if the Exercise Notice is delivered (A) on any day which is not a Business Day and, if specified in the relevant Supplement, an Exchange Business Day or (B) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any such day, then, in either such case, the Exercise Date shall be the next succeeding day which is such a day; and

- (ii) the Exercise Date may not be later than the Expiry Date;

"Exercise Notice" means any notice in the form scheduled to the Warrant Agreement or such other form as may from time to time be agreed by the Issuer and the Principal Warrant Agent which is delivered by a Warrantholder in accordance with Condition 4(a);

"Exercise Period" means the period beginning on (and including) such date as may be specified in the relevant Supplement and ending on (and including) the Expiry Date;

"Expiry Date" has the meaning ascribed thereto in the relevant Supplement;

"Holder" has the meaning ascribed thereto in Condition 1;

"ISDA Definitions" means the 1991 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Warrants of the relevant Series as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

"Index" has the meaning ascribed thereto in the relevant Supplement;

"Index Basket Warrant" means that such Warrant relates to a basket of Indices, as specified in the relevant Supplement;

"Index Sponsor" has the meaning ascribed thereto in the relevant Supplement;

"Index Warrant" means that such Warrant relates to a single Index, as specified in the relevant Supplement;

"Issue Date" has the meaning ascribed thereto in Condition 1;

"London Stock Exchange" means the London Stock Exchange Limited;

"Market Disruption Event" has the meaning ascribed thereto in Condition 6;

"Minimum Exercise Number" has the meaning ascribed thereto in Condition 5;

"New Issuer" has the meaning ascribed thereto in Condition 14;

"Permitted Multiple" has the meaning ascribed thereto in Condition 5;

"Physical Settlement" has the meaning ascribed thereto in Condition 3;

"Reference Value" means at any time, in respect of any Warrant, the value (if any) at that time (as determined by the Principal Warrant Agent) of one Security;

"Related Exchange" means, in respect of an Index relating to an Index Warrant or an Index Basket Warrant or a Security relating to a Securities Warrant or a Securities Basket Warrant, each exchange or quotation system specified as such for such Index or Security in the relevant Supplement or any successor to such exchange or quotation system;

"Relevant Issuer" has the meaning ascribed thereto in the relevant Supplement;

"Relevant Market" means, subject to the relevant Supplement, the principal trading market for the Securities;

"Relevant Price" has the meaning ascribed thereto in the relevant Supplement;

"Reuters Screen" means, when used in connection with any designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information);

"Securities Act" means the U.S. Securities Act of 1933, as amended;

"Settlement Currency" has the meaning ascribed thereto in Condition 3;

"Settlement Date" means, in relation to Securities to be delivered pursuant to the exercise of a Warrant on an Exercise Date and unless otherwise specified in the relevant Supplement, the first day on which settlement of a sale of such Securities on that Exercise

Date customarily would take place through the relevant Clearing System, unless a Settlement Disruption Event prevents delivery of such Securities on that day;

"Settlement Disruption Event" has the meaning ascribed thereto in Condition 6;

"Settlement Price" has the meaning ascribed thereto in the relevant Supplement;

"Securities" means shares, debt securities, other securities or other property specified as such in the relevant Supplement including any adjustments made pursuant to Conditions 6(c) and 6(d) and **"Security"** shall be construed accordingly;

"Securities Basket Warrant" means that such Warrant relates to a basket of Securities, as specified in the relevant Supplement;

"Securities Warrant" means that such Warrant relates to a single Security, as specified in the relevant Supplement;

"Strike Price" has the meaning ascribed thereto in the relevant Supplement;

"Strike Price Payment Date" has the meaning ascribed thereto in the relevant Supplement;

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System;

"Telerate" means, when used in connection with any designated page and any designated information, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable information); and

"Warrantholder" has the meaning ascribed thereto in Condition 1.

1. Form and Transfer

(a) Form

Each Tranche of Warrants will (unless so specified in the relevant Supplement) at all times be represented by a global warrant (the **"Global Warrant"**) in bearer form. The Global Warrant will be deposited on the issue date (the **"Issue Date"**) specified in the relevant Supplement with a common depository for the relevant Clearing System(s). Warrants in definitive bearer form will be issued only if so specified in the relevant Supplement. The person for the time being appearing in the books of the relevant Clearing System(s) as the holder of a Warrant shall be treated for all purposes by the Issuer, the Warrant Agents, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a **"Warrantholder"** or a **"Holder"**) and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the Holder of any Warrant held in an account with Cedel Bank on behalf of Euroclear's accountholders and (ii) Cedel Bank shall not be treated as the Holder of any Warrant held in an account with Euroclear on behalf of Cedel Bank's accountholders.

(b) Transfer

All transactions in (including transfers of) Warrants, in the open market or otherwise, shall be effected only through the Clearing System(s) in which the Warrants to be transferred are held and are to be held. Title to the Warrants shall pass upon registration of the transfer in accordance with the rules and procedures for the time being of the relevant Clearing System(s).

The Warrants may not be offered, sold, delivered or otherwise transferred within the United States or to or for the account or benefit of U.S. persons (as such terms are used in Regulation S under the Securities Act and in the CEA) and bear the legend to such effect.

2. Status of the Warrants

The Warrants of each Series constitute direct and unsecured contractual obligations of the Issuer ranking *pari passu* among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (other than any such obligations preferred by law).

3. Rights on Exercise

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Supplement as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any day which is a Business Day and, if specified in the relevant Supplement, an Exchange Business Day during the Exercise Period, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 9.

(b) *"European Style" Exercise*

If the Warrants are specified in the relevant Supplement as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not a Business Day and, if specified in the relevant Supplement, an Exchange Business Day, the next succeeding or preceding such day as specified in the relevant Supplement, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 9.

(c) *Cash Settlement*

If the Warrants are specified in the relevant Supplement as being Cash Settlement Warrants, then, subject to Condition 3(e) if applicable, each Warrant entitles the Holder thereof, upon exercise, to receive from the Issuer on the Cash Settlement Payment Date an amount ("**Cash Settlement**") calculated in accordance with the relevant Supplement (the "**Cash Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Supplement. The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(d) *Physical Settlement*

If the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants, then, subject to Condition 3(f) if applicable, upon the exercise of a Warrant by a Warrantholder, the Issuer will transfer or procure the transfer on the Settlement Date (in respect of the Warrants exercised by the Warrantholder) of the Securities in respect of each Warrant so exercised to the account with the relevant Clearing System specified, or as may otherwise be specified, for that purpose by the Warrantholder in the relevant Exercise Notice ("**Physical Settlement**"), following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price, all as more fully described in Condition 4.

(e) *Optional Physical Settlement*

If this Condition 3(e) is specified in the relevant Supplement as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect not to pay the Cash Settlement Amount (as described in Condition 3(c)) but instead elect Physical Settlement (as described in Condition 3(d)) following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price. The Warrants do not confer on the Holder any right to acquire the Securities and the Issuer is not obliged to purchase or hold the Securities. By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(f) *Optional Cash Settlement*

If this Condition 3(f) is specified in the relevant Supplement as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect not to transfer or procure the transfer of Securities to that Warrantholder (as described in Condition 3(d)) but instead elect Cash Settlement (as described in Condition 3(c)). By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(g) *Warrant Void on Expiry*

Warrants with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4, before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date shall become void.

(h) Delivery Outside the United States

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act and in the CEA) in connection with any settlement of Warrants.

4. Exercise Procedure

(a) Exercise Notice

Subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 9, Warrants may be exercised by delivery from a location outside the United States, or by the sending of a tested telex confirmed in writing from a location outside the United States, of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) to (i) the relevant Clearing System and (ii) the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

- (A) in the case of Warrants specified in the relevant Supplement as being American Style Warrants, on any day which is a Business Day and, if specified in the relevant Supplement, an Exchange Business Day during the Exercise Period; or
- (B) in the case of Warrants specified in the relevant Supplement as being European Style Warrants, on the Expiry Date, subject to Condition 3(b).

Any Exercise Notice delivered after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised) on the Exercise Date shall (a) in the case of European Style Warrants, be null and void and (b) in the case of American Style Warrants, subject to Condition 3(g), be deemed to have been delivered on the next succeeding day which is a Business Day and, if specified in the relevant Supplement, an Exchange Business Day.

Each Exercise Notice shall:

- (i) specify the name, address, telephone, facsimile and telex details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;
- (v) certify that each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the United States or by or on behalf of U.S. persons or persons within the United States (terms in this paragraph (v) have the meanings given to them in Regulation S under the Securities Act, and in the CEA) and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorise the production of such certification in applicable administrative or legal proceedings; and
- (vi) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment

Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agreement.

In addition, if the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if Condition 3(e) is specified in the relevant Supplement as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
- (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
- (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Securities or, as the case may be, the delivery details for such Securities.

(b) Verification of Warrantholder

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or, as the case may be, the Settlement Date, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) Notification to Principal Warrant Agent

The relevant Clearing System shall notify the Principal Warrant Agent in writing (with a copy to the Issuer) not later than 11.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Business Day immediately following the Exercise Date of the number of the account with such Clearing System to which the Cash Settlement Amount or, in the case of Physical Settlement, the Securities are to be credited for the benefit of the Warrantholder.

(d) Debit of Warrantholder's Account

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder with the Warrants being exercised and, if the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e), with the aggregate Strike Price in respect of the Warrants being exercised together with any applicable Taxes. If the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if the Issuer has elected for optional

Physical Settlement in accordance with Condition 3(e) and the aggregate Strike Price in respect of the Warrants being exercised together with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer the Securities or make payment of any nature to the relevant Warrantholder in respect of the Warrants being exercised and the Exercise Notice delivered in respect of such Warrants shall thereafter be null and void for all purposes.

If Condition 3(e) or Condition 3(f) is specified in the relevant Supplement as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Determination Date, notify the relevant Clearing System, the Principal Warrant Agent and the relevant Warrantholder, if it has elected for Cash Settlement or Physical Settlement, as the case may be. Notice to the relevant Warrantholder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(e) Payment

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Supplement on the date specified therefor in the relevant Supplement determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants provided that the Calculation Agent has received a tested telex from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

Unless the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or unless the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date. If, however, the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(e), then, subject to the transfer of the Strike Price and any applicable Taxes from the relevant account of the Warrantholder to the relevant account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the relevant Settlement Date, transfer or procure the transfer of the relevant Securities for credit to the account specified, or as may otherwise be specified, in the relevant Exercise Notice.

The Issuer shall be entitled if it so elects, to divide the Securities to be transferred into such number of lots of such size as it desires to facilitate its transfer obligations.

Exercise of the Warrants, payment by the Issuer and the Principal Warrant Agent and any transfer of the Securities by the Issuer or the Principal Warrant Agent, will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearing System) and neither the Issuer nor the Principal Warrant Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. Neither the Issuer nor the Principal Warrant Agent shall under any circumstances be liable for any acts or defaults of any Clearing System in the performance of its duties in relation to the Warrants.

(f) Determinations

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the relevant Clearing System, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant

Warrantholder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Warrant Agent immediately after being sent to the relevant Clearing System, shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the relevant Clearing System.

(g) Effect of Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4(a)), the Warrantholder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrantholder does so transfer or attempt to transfer such Warrants, the Warrantholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement hedging operations in respect of such Warrants or (ii) paying any amount on the subsequent exercise of such Warrants without having entered into any replacement hedging operations.

(h) Fractions

No fraction of any Security will be transferred on exercise of any Warrant pursuant to Conditions 3(d) or (e), provided that all Warrants exercised at the same time by the same Warrantholder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Security arises. Instead the Issuer shall make a cash refund of the corresponding fraction (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Warrants. Such refund shall be made by transfer by the Issuer to the account of the Principal Warrant Agent whereupon the Principal Warrant Agent shall transfer such amount to the account at the relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Cash Settlement Amount or, if none, then to the relevant Clearing System for credit by it to the account of the relevant Warrantholder with that Clearing System from which the Strike Price was originally debited.

5. Minimum Number of Warrants Exercisable

The Warrants are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Supplement or integral multiples thereof (or, if a "**Permitted Multiple**" is specified in the relevant Supplement, higher integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Warrantholders in accordance with Condition 10.

6. Valuation, Adjustments and Extraordinary Events affecting Securities

(a) Valuation, Market Disruption and Averaging Dates

- (i) "**Valuation Time**" means the time specified in the relevant Supplement or, if no such time is specified, the close of trading on the relevant Exchange or, if applicable, the relevant Related Exchange, in relation to each Index or Security to be valued.
- (ii) "**Valuation Date**" means, unless otherwise specified in the relevant Supplement, each Exercise Date (or, if such date is not an Exchange Business Day, the next following Exchange Business Day), unless there is a Market Disruption Event in respect of any relevant Index or Security on that day. If there is a Market Disruption Event on that day then:

- (A) in the case of an Index Warrant or a Securities Warrant, the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date (the "**Scheduled Valuation Date**"). In that case, (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (2) the Principal Warrant Agent shall determine:
- (aa) in respect of an Index Warrant, the level of the Index as of the Valuation Time on that fifth Exchange Business Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price or, if applicable, the Related Exchange traded price (or, if trading in the relevant security or other property comprised in the Index or, if applicable, options contracts or futures contracts in the relevant Index has been materially suspended or materially limited, its good faith estimate of the Exchange traded price or, if applicable, the Related Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth Exchange Business Day of each security or other property comprised in the Index or, if applicable, of each options contract or futures contract in the relevant Index; and
 - (bb) in respect of a Securities Warrant, its good faith estimate of the Exchange traded price for the relevant Security or, if applicable, the Related Exchange traded price for any options contracts or futures contracts relating to such Security that would have prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day;
- (B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless there is a Market Disruption Event relating to that Index on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the Market Disruption Event, and (2) the Principal Warrant Agent shall determine the level of that Index, as of the Valuation Time on that fifth Exchange Business Day, in accordance with the formula for and method of calculating that Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price or, if applicable, the Related Exchange traded price (or, if trading in the relevant security or other property comprised in the relevant Index or, if applicable, in options contracts or futures contracts in the relevant Index has been materially suspended or materially limited, its good faith estimate of the Exchange traded price or, if applicable, the Related Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth Exchange Business Day of each security or other property comprised in the Index or, if applicable, in options contracts or futures contracts in the relevant Index; and
- (C) in the case of a Securities Basket Warrant, the Valuation Date for each Security not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Security affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Security, unless there is a Market Disruption Event relating to that Security on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Security notwithstanding the Market Disruption Event, and (2) the Principal

Warrant Agent shall determine its good faith estimate of the Exchange traded price for that Security or, if applicable, the Related Exchange traded price for any options contracts or futures contracts relating to such Security that would have prevailed but for the Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day.

(iii) **"Market Disruption Event"** in relation to Cash Settlement Warrants means:

- (A) in respect of an Index to which an Index Warrant relates or an Index Basket Warrant relates, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise), (aa) on the relevant Exchange(s) in securities or other property that comprise 20 per cent. or more of the level of the relevant Index, or (bb) in options contracts or future contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Principal Warrant Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security or other property included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security or other property relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; and
 - (B) in respect of a Security to which a Securities Warrant relates or a Securities Basket Warrant relates, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) in (aa) the Security on the Exchange or (bb) any options contracts or futures contracts relating to the Security on any Related Exchange if, in any such case, that suspension or limitation is, in the determination of the Principal Warrant Agent, material.
- (iv) If Averaging Dates are specified in the relevant Supplement, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Security or Basket in relation to a Valuation Date:
- (A) **"Averaging Date"** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Supplement (or, if such date is not an Exchange Business Day, the next following Exchange Business Day).
 - (B) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
 - (aa) in respect of an Index Warrant or a Cash Settlement Securities Warrant, the arithmetic mean of the Relevant Prices of the Index or the Securities on each Averaging Date;
 - (bb) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Principal Warrant Agent as provided in the relevant Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Supplement); and
 - (cc) in respect of a Cash Settlement Securities Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Principal Warrant Agent as provided in the relevant Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is

so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Relevant Issuer as the product of (1) the Relevant Price of such Security and (2) the number of such Securities comprised in the Basket.

(C) In the case of a Market Disruption Event occurring on an Averaging Date, if, in relation to **"Averaging Date Market Disruption"**, the consequence specified in the relevant Supplement is:

(aa) **"Omission"**, then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price provided that, if through the operation of this provision there would not be an Averaging Date with respect to the relevant Valuation Date, then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;

(bb) **"Postponement"**, then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be a Averaging Date for the Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

(cc) **"Modified Postponement"**, then:

(1) in the case of an Index Warrant or a Securities Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the original date that, but for the occurrence of another Averaging Date or Market Disruption Event, would have been the final Averaging Date in relation to the relevant Valuation Date, then (AA) that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date), and (BB) the Principal Warrant Agent shall determine the relevant level or price for that Averaging Date in accordance with (x) in the case of an Index Warrant, Condition 6(a)(ii)(A)(2)(aa) and (y) in the case of a Securities Warrant, Condition 6(a)(ii)(A)(2)(bb); and

(2) in the case of an Index Basket Warrant or a Securities Basket Warrant, the Averaging Date for each Index or Security not affected by a Market Disruption Event shall be the day specified in the relevant Supplement as an Averaging Date in relation to the relevant Valuation Date (the **"Scheduled Averaging Date"**) and the Averaging Date for an Index or Security affected by the Market Disruption Event shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the original date that, but for the occurrence of another Averaging Date or Market Disruption Event, would have been the final Averaging Date in relation to the relevant Valuation Date, then (AA) that fifth Exchange Business Day shall be deemed the Averaging

Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date) in relation to such Index or Security, and (BB) the Principal Warrant Agent shall determine the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Warrant, Condition 6(a)(ii)(B)(2) and (y) in the case of a Securities Basket Warrant, Condition 6(a)(ii)(C)(2).

"Valid Date" means an Exchange Business Day on which there is no Market Disruption Event and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (v) If (A) on or prior to any Averaging Date in respect of an Index Warrant or an Index Basket Warrant, a relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock or other property and capitalisation and other routine events) or (B) on any Averaging Date in respect of an Index Warrant or an Index Basket Warrant, the relevant Index Sponsor fails to calculate and announce a relevant Index, then the Principal Warrant Agent shall calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at the Averaging Date as determined by the Principal Warrant Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(b) Adjustments to Index

This Condition 6(b) is applicable only in relation to Warrants specified in the relevant Supplement as being Index Warrants or Index Basket Warrants.

If the relevant Index is (i) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Principal Warrant Agent or (ii) is replaced by a successor index using, in the determination of the Principal Warrant Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that Index will be deemed to be the index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If (i) on or prior to any Valuation Date, the relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities or other property and capitalisation and other routine events) or (ii) on any Valuation Date the Index Sponsor fails to calculate and announce the level of the relevant Index, then the Principal Warrant Agent shall calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at such Valuation Date as determined by the Principal Warrant Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

If, in respect of an Index Warrant or an Index Basket Warrant, the level of an Index published or announced on a given day and used or to be used by the Principal Warrant Agent to determine the Settlement Price is subsequently corrected and the correction published or announced by that Index Sponsor or a successor sponsor within 30 days of the original publication or

announcement, and an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Warrantholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was (or was not) made, to but excluding the day of payment of the refund or payment resulting from that correction (all as calculated by the Principal Warrant Agent). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Warrant Agent and notified to the relevant Warrantholder by facsimile or telex to the number specified in the relevant Exercise Notice and any notification so sent shall be deemed received by the relevant Warrantholder.

(c) Settlement Disruption of Physical Settlement Warrants

This Condition 6(c) is applicable only in relation to Warrants specified in the relevant Supplement as being Physical Settlement Warrants.

The Principal Warrant Agent shall determine whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each day which would have been a relevant Clearance System Business Day during the period ending 30 calendar days after the original date that, or during such other period specified in the relevant Supplement after the original date that, but for the Settlement Disruption Event, would have been the Settlement Date. If the Settlement Date does not occur during such 30 calendar day period (or during such other period specified in the relevant Supplement) then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner (which other manner of delivery will be deemed the relevant Clearing System for the purposes of delivery of the relevant Securities). For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a Basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the original day that but for such Settlement Disruption Event would have been the Settlement Date. In the event that a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Securities comprised in a Basket, the Principal Warrant Agent shall determine in its discretion the appropriate *pro rata* portion of the Strike Price to be paid by the Warrantholder in respect of that partial settlement.

For the purposes hereof:

"Settlement Disruption Event" in relation to a Security means an event as determined by the Principal Warrant Agent as being beyond the control of the Issuer or relevant obligor and as a result of which the relevant Clearing System or Relevant Market, as the case may be, cannot clear the transfer of such Security or the transfer of such Security cannot be effected.

(d) Adjustments and Extraordinary Events affecting Securities

This Condition 6(d) is applicable only in relation to Warrants specified in the relevant Supplement as being Securities Warrants or Securities Basket Warrants.

(i) Adjustments

The Principal Warrant Agent shall determine whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Principal Warrant Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment as it in its sole and absolute discretion considers appropriate, if any to the Strike Price, the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Supplement, the number of Securities to which each Warrant relates, and to any other exercise, settlement, payment or other term of the relevant Warrants including, without limitation, the amount, the number of or type of cash or Securities

which may be transferred under such Warrants and/or any other adjustment and determine the effective date(s) of such adjustment.

For the purposes hereof:

"Potential Adjustment Event" means:

- A. a subdivision, consolidation or reclassification of relevant Securities (unless a Merger Event) or a free distribution or dividend of any securities to existing holders of any such Securities whether by way of bonus, capitalisation or similar issue (including, without limitation by virtue of any demerger); or
- B. a distribution or dividend to existing holders of the relevant Securities of (aa) such Securities or (bb) other share capital or securities carrying the right to payment of dividends and/or other amounts and/or the proceeds of liquidation of the Relevant Issuer equally or proportionately with such payments to holders of any such Securities or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Principal Warrant Agent; or
- C. an extraordinary dividend; or
- D. a call by the Relevant Issuer in respect of relevant Securities that are not fully paid; or
- E. a repurchase by the Relevant Issuer of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- F. any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or
- G. any other event specified in the relevant Supplement.

(ii) *Merger Event*

Following the occurrence of any Merger Event (as defined below), the Principal Warrant Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, determine any adjustments to be made. If the Principal Warrant Agent determines that the Warrants shall be continued, it may, in its sole and absolute discretion, make any change or adjustment to the type of Securities which may be delivered under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Supplement and/or the number of Securities to which each Warrant relates and/or any other adjustment, which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Securities (other than, in the case of a takeover, Securities owned or controlled by the offeror) become bound to transfer the Securities held by them. If, in the opinion of the Principal Warrant Agent, the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below).

For the purposes hereof:

"Merger Event" means in respect of any relevant Securities, any:

- (i) reclassification or change of any Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding; or
- (ii) consolidation, amalgamation or merger of the Relevant Issuer with or into another entity (other than a consolidation, amalgamation or merger in which such Relevant Issuer is the continuing entity and which does not result in any such reclassification or change of such Securities outstanding); or

- (iii) other takeover offer for such Securities that results in a transfer of or irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by the offeror), in each case if the Merger Date is on or before, in the case of a Physical Settlement Warrant, the Expiry Date or, in any other case, the final Valuation Date;

"Merger Event Settlement Amount" means an amount, as determined by the Principal Warrant Agent in its sole and absolute discretion, which shall seek to preserve the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant after that date but for the occurrence of the Merger Event; and

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the relevant Securities (other than, in the case of a takeover offer, shares owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Securities.

(iii) Nationalisation or Liquidation

If:

- (A) all the Securities or all the assets or substantially all the assets of the Relevant Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity; or
- (B) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Relevant Issuer (a) all the Securities are required to be transferred to any trustee, liquidator or other similar official or (b) holders of the Securities become legally prohibited from transferring them,

then, the Issuer may determine that, in lieu of delivery of the Securities or payment of the Cash Settlement Amount, as the case may be, it shall pay an amount, as determined by the Principal Warrant Agent in its sole and absolute discretion, which represents the fair value of a Warrant and that would preserve for the Warrantholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant but for the occurrence of such nationalisation or insolvency, in which event the Warrant shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

(iv) Conversion

Following the occurrence of any Conversion, the Principal Warrant Agent will, in its sole and absolute discretion, determine whether or not the Warrants will continue and, if so, determine any adjustments to be made. If the Principal Warrant Agent determines that the Warrants shall be continued, it may make such adjustment as it, in its sole and absolute discretion considers appropriate, to the Strike Price, the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Supplement the number of Securities to which each Warrant relates, and to any other exercise, settlement, payment or other term of the relevant Warrants including, without limitation, the amount, number of or type of cash or Securities which may be transferred under such Warrants and/or any other adjustment and determine the effective date(s) of such adjustment. If, in the opinion of the Principal Warrant Agent, the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease)

and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Conversion Settlement Amount (as defined below).

For the purposes hereof:

"Conversion" means in respect of any relevant Securities any irreversible conversion by the Relevant Issuer, of such Securities into other securities; and

"Conversion Settlement Amount" means an amount, as determined by the Principal Warrant Agent, in its sole and absolute discretion, which shall seek to preserve the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant but for the occurrence of the Conversion.

(e) Effects of European Economic and Monetary Union

Following the occurrence of EMU Event, the Principal Warrant Agent shall make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Supplement, the formula for and method of calculating the relevant Index and/or the securities or other property comprising the relevant Index, the number of Securities to which each Warrant relates, the number of Securities comprised in a Basket, the amount, the number of or type of shares, other securities or other property which may be delivered under such Warrants and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants.

Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the **"National Currency Units"**) of the Participating Member States and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules in regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, considers appropriate; and (ii) make all payments in respect of the Warrants solely in euro as though references in the Warrants to the relevant National Currency Units were to euro.

Neither the Issuer nor the Principal Warrant Agent will be liable to any Warrantholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.

For the purposes hereof:

"EMU Event" means the occurrence of any of the following, as determined by the Principal Warrant Agent, in its sole and absolute discretion:

- (i) the introduction of the euro at the commencement of the third stage of European Economic and Monetary Union;
- (ii) the redenomination of any security into euro;
- (iii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;
- (iv) any change in the currency of denomination of any Index; or
- (v) any change in the currency in which some or all of the securities or other property comprising any Index is denominated.

"Participating Member State" means any member state of the European Union which adopts the single currency in accordance with the Treaty.

7. Warrant Agents and Calculation Agent

(a) Appointment of Agents

The Issuer reserves the right at any time to vary or terminate the appointment of any Warrant Agent or the Calculation Agent and to appoint other or additional Warrant Agents or a

substitute Calculation Agent, provided that it will (i) so long as any Warrant is outstanding, maintain a Principal Warrant Agent and a Calculation Agent and (ii) so long as the Warrants are listed on the London Stock Exchange (or any other stock exchange), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other stock exchange). Notice of any termination of appointment and of any change in the specified office of a Warrant Agent or a Calculation Agent and of any appointment of a Warrant Agent or a Calculation Agent will be given to Warrantheolders in accordance with Condition 10. In acting under the Warrant Agreement, each Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantheolders.

(b) Calculation Agent

The Calculation Agent shall not act as an agent for the Warrantheolders but shall be the agent of the Issuer. All calculation functions required of the Calculation Agent under these Conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

Neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the calculation of any Cash Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

(c) Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants by the Principal Warrant Agent or the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Warrantheolders and (subject as aforesaid) no liability to the Warrantheolders (or any of them) shall attach to the Principal Warrant Agent or the Calculation Agent in connection with the exercise or non-exercise by either of them of their powers, duties and discretions for such purposes.

8. Taxes

A Warrantheolder subscribing for, purchasing or exercising a Warrant shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Warrantheolder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence.

In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in the previous paragraph, the relevant Warrantheolder shall promptly reimburse the Issuer therefor.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

9. Force Majeure and Illegality

(a) Force Majeure

The Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, if the Principal Warrant Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Issuer will, however, pay to each Warrantheolder in respect of each Warrant held by it an amount determined by the Principal Warrant Agent immediately prior to such termination. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 10.

(b) Illegality

In the event that any one or more of the provisions contained in these terms should be held to be invalid, illegal or unenforceable in any respect, the Issuer will endeavour in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which is not detrimental on either the Issuer or the Warrantholder, and which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

10. Notices

All notices to Warrantholders will, save where another means of communication has been specified in the relevant Supplement, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants listed on the London Stock Exchange (or any other stock exchange), published in one daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) (or such other publication required by such other stock exchange). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any Warrants listed on the London Stock Exchange (or any other stock exchange), the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

11. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular series so as to form a single series with the Warrants, pursuant to an agreement supplemental to the Warrant Agreement.

12. Purchase by the Issuer

The Issuer may at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may, at the discretion of the Issuer, be held, resold, reissued or surrendered for cancellation, and Warrants so reissued or resold shall for all purposes be deemed to form part of the original series of the Warrants.

13. Modification

The Issuer may modify the Conditions and the Warrant Agreement (subject to the agreement of the other parties thereto) without the consent of the Warrantholders for purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Warrantholders. Notice of any such modification will be given to the Warrantholders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

14. Substitution

The Issuer shall be entitled at any time and from time to time, without the consent of the Warrantholders, to substitute any subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer, as obligor under the Warrants, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Warrantholders under or in relation to the Warrants. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Such substitution shall be promptly notified to the Warrantholders in accordance with Condition 10. In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Warrantholders 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 no Warrantholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantholder.

15. Governing Law

Unless otherwise specified in the relevant Supplement, the Warrants shall be governed by and construed in accordance with English law. 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 Warrants.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of the Warrants will be used to maintain hedging positions relating to the Warrants or otherwise as part of the general funds of the Issuer.

MIDLAND BANK PLC ("MIDLAND")

Principal activities, objects and principal place of business

The principal objectives of the Bank (which are set out in Clause 4 of its Memorandum of Association) are to carry on in any part of the world the business of banking of all kinds and to transact and do all matters and things incidental thereto. Midland is engaged principally in the provision of a comprehensive range of banking, financial and related services. The Bank's principal place of business in the United Kingdom is 27/32 Poultry, London, EC2P 2BX.

The Bank is incorporated in England and the entire issued ordinary share capital and the one preferred ordinary share of the Bank are owned by HSBC Holdings plc ("HSBC"). HSBC and its subsidiary undertakings (the "HSBC Group") is one of the largest banking and financial services organisations in the world with over 5,500 offices in 79 countries and territories. Its total assets at 31 December 1997 were £286.4 billion.

The Bank is one of the principal UK clearing banks. At 31 December 1997, Midland's total assets were £102.1 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, Commercial Banking and, through its subsidiary undertaking Forward Trust Group Limited, Asset Finance. Detailed segmental information by geographic region, and by class of business is shown in Note 34 of the Notes on the Annual Report and Accounts 1997.

Commercial Banking

Commercial Banking comprises UK Banking, HSBC MIDLAND and International Banking.

UK Banking

Midland's banking network in the United Kingdom provides banking and related financial services to the personal and business markets. The main services provided are:

- **Current Accounts**—The key to the customer relationship continues to be the provision of current account facilities. At 31 December 1997, Midland had approximately 4.7 million personal current accounts and 0.7 million business current accounts.
- **Loans**—Midland provides a wide range of lending services for personal and business customers.

The Bank is actively increasing its domestic house mortgage portfolio, providing a range of fixed and variable rate mortgages and equity release loans. In a strong market, the Bank's mortgage book grew by three times the national average in 1997 and its total portfolio exceeded £11 billion at 31 December 1997.

- **Savings Accounts**—The Bank offers a range of term and notice savings accounts and a flexible range of accounts linked to money market rates, which are available both for the personal and small business markets. During 1997, Midland increased its interest rates on instant access accounts, a forerunner to a comprehensive review of the Bank's saving products.
- **Personal Financial Services**—The Bank sells life, pensions, investments and general insurance products and, under the terms of the UK Financial Services Act 1986, acts as "company representative" for the sale of regulated products, sourced from Midland Life Limited and Midland Unit Trust Management Limited. Midland also offers Offshore personal investment advice, selling the Offshore life and investment products of Midland Life International Limited and Midland Bank Fund Managers (Jersey) Limited.

Midland has a dedicated salesforce of approximately 1050 Financial Planning Managers and 300 Financial Planning Officers within the retail branch network. The salesforce also provides advice on mortgages and on the appropriate repayment vehicle. Additionally, a wide range of general insurance products are sold, both through the retail branch network and by telephone under the branding of "Midland Direct".

Sales of life, pensions and investment products in 1997 were 12 per cent. above 1996 levels, measured in terms of commission earned. At 31 December 1997 Midland had a 1.3 per cent. share of the personal annual premium life and pensions market, and a 1.8 per cent. share of the personal lump sum investment market (life, unit trusts and pensions). Midland is a market leader in critical illness protection products. Funds under management of Midland Life amounted to £2.6 billion at 31 December 1997 (£1.9 billion in 1996). Funds under management of Midland Unit Trust Management amounted to £2.4 billion at 31 December 1997 (£1.8 billion in 1996).

In March 1998, the Financial Services Authority issued a consultative document which included draft proposals to extend the scope of its review of pension transfers, and non-joiners and opt-outs of occupational pension schemes to include those cases previously classified as non-priority. Provision has been made in prior years for compensation potentially payable to customers disadvantaged as a result of inappropriate pensions advice, but the total potential liability cannot be determined with certainty.

Private Banking—The Bank provides broadly-based investment management and independent financial advisory services to more affluent personal customers. This service is available from 30 offices alongside retail bank branches, providing a local service to clients. Funds under management at Private Banking amounted to £3.0 billion at 31 December 1997 (£2.4 billion in 1996).

- **Cards**—The Bank issues credit cards under both the MasterCard and VISA payment schemes. A full range of card products is offered to customers including mass, "gold", co-branded, affinity and private label cards. For business customers, the Bank provides business, corporate and purchasing cards.

In addition to the existing Switch debit card, a new product, the SOLO debit card, was launched in 1997 providing positive authorisation for every transaction, extending debit card facilities to over 600,000 customers previously restricted to a cash machine card.

Besides issuing cards, the Bank is a major merchant acquirer for both credit card and debit card transactions.

In 1995, the Bank commenced a pilot programme with National Westminster Bank plc and British Telecommunications plc to evaluate Mondex, a "smart card" electronic cash payment system. Additional pilot schemes were undertaken during 1997 to help develop this concept.

- **Clearing Services**—The Bank is one of the principal UK clearing banks for both paper and electronic clearing.
- **ATMs**—The Bank has a comprehensive self service automated teller machine ("ATM") network, consisting of approximately 2,150 machines sited at Midland branches and approximately a further 500 at non-branch sites such as supermarkets and underground stations. These, together with reciprocal arrangements with other banks, form part of a UK network of in excess of 13,500 ATMs available to Midland's customers. Internationally, approximately 300,000 ATMs are available through the CIRRUS acceptance mark.
- **Direct Banking**—Through First Direct, a division of the Bank, a full personal banking service is provided via the telephone, 24 hours a day, 365 days a year. It primarily targets customers who seek a fast, convenient and competitively-priced service. First Direct piloted a PC banking service in 1997 and this will be made more widely available in 1998.

First Direct is the market leader in person to person, 24 hour banking in the United Kingdom, and plans further growth in 1998. It has achieved a competitive advantage through high service quality and competitive pricing. As at 31 December 1997, First Direct had approximately 780,000 cheque account customers, of which over 75 per cent. were new to Midland.

With effect from 1 January 1997, the loan portfolio and business of Forward Trust Personal Finance Limited were transferred from Forward Trust Group Limited to First Direct. This business has been re-named First Direct Business to Business and is

developing customer relationships by offering its 400,000 customers a wider range of product and services.

- **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 Securities Services provides comprehensive custody services to a wide range of clients. As well as providing domestic custody in the UK market, Midland Security Services is the global custodian for the HSBC Group, and it is one of the largest custodians in the world.
- **Trade Services**—HSBC Trade Services is the name under which the Bank provides a full range of trade and international banking services, including documentary credits, bills and short-term structured trade finance. By highlighting Midland's membership of the HSBC Group, this name emphasises the breadth of quality, experience and information technology support that is available worldwide to Midland's customers.
- **Corporate Banking**—Midland Corporate Banking has responsibility for the relationship management of the Bank's largest UK and international corporate and institutional clients. Relationships are managed through a number of specialist industry groups and close co-operation is maintained with all areas of Midland and the wider HSBC Group in order to provide customers with the broadest possible range of commercial and investment banking products and services. The Bank's retail branches handle the account maintenance requirements of the corporate customers managed by Midland Corporate Banking. The Bank, through Midland Corporate Banking, is a leading correspondent bank in London. The coverage and relationships of the HSBC Group have continued to strengthen this position.

The branch network is divided into five geographic divisions, each headed by a general manager.

The size of Midland's traditional branch network remained static in 1997 at around 1,700 outlets. However, during 1997, Midland piloted in-store branches, opening eight full service branches and one kiosk within the stores of Wm Morrison Supermarkets plc under the name "Midland at Morrisons". Open the same hours as their host supermarkets, these outlets provide personal customers with the convenience of fulfilling their banking requirements at the same time as their shopping.

Midland is highly competitive in centralised processing and is at the forefront of installing imaging technology, operating one of the largest IBM document imaging systems in the world. Cheques and credits paid in through the retail branch network, along with the majority of customer instructions received by the branches, are processed centrally at 15 District Service Centres located around the United Kingdom.

Routine customer telephone calls are handled centrally by four Customer Service Centres which work in partnership with Midland's branches to provide a high standard, extended hours telephone service, with a Welsh language service available if preferred. Receiving around 100,000 calls each day through these Customer Service Centres, this makes Midland, when combined with First Direct, the biggest centralised telephone banking service in the United Kingdom. Customers are also offered 24 hour access to an Interactive Voice Response ("IVR") Balance Enquiry Service.

Midland continues to focus on the quality of service it provides and regularly asks its customers for their opinions. Midland has differentiated itself from its competitors by offering a service guarantee for personal customers opening their account with the Bank, under which the customer is paid £10 each time guaranteed levels of service are not met. This ensures high standards are maintained as well as encouraging new customers to come to Midland to open their accounts. Midland has a number of high street branches open for service on Saturdays. This service provided to customers has been enhanced over the last year by the provision of a full counter service in nearly 300 branches.

Midland moved to simplify its charges in the personal market through the launch of the new Midland Bank Account announced in January 1997. The account has no monthly service charge for authorised borrowing, a £50 "buffer" zone for those who accidentally overdraw and credit interest. This change has helped contribute towards an increase in new accounts.

In the Youth sector, almost one third of new students chose Midland as their main bank. Midland now has an overall market share of 25 per cent. of all accounts of young people aged between 16 and 20.

Midland has increased its market share of business start-ups. The tariff for small businesses has remained unchanged since December 1990. Overall Midland opened 30 per cent. more business accounts than in 1996, helped by our community banking strategy.

During 1997, recognising that different business communities have different needs, Midland established six new offices to offer a dedicated service for South Asian business customers.

The Bank continues its drive to cut costs and improve customer service by investing in new technology, transaction processing facilities and enhanced self service equipment. Over 200 branches have self service lobbies providing 24 hour access and, as technology has automated and streamlined certain processing activities in the branches, more space and better facilities have been made available for customers in the banking hall.

HSBC MIDLAND

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

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 direct through Midland Bank plc's FX-Direct foreign exchange dealing system. Nine UK metropolitan-based 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 was named the capital's best foreign exchange bank by *Euromoney* magazine in 1997. HSBC MIDLAND is also a prominent participant 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, 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. HSBC Futures provides comprehensive coverage of the London International Financial Futures and Options Exchange and has achieved a prominent position in terms of market share globally. It is also represented on most of the leading overseas financial futures exchanges.

On 1 April 1998, the business of HSBC Greenwell was transferred to and combined with the activities of the Bank.

International Banking

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

In 1997, Midland had offices based in 30 countries and territories, principally in continental Europe, with a number of offices in Latin America.

Midland has branches in Australia, the Czech Republic (opened in April 1997), France, Greece, Guernsey, the Isle of Man, Italy, Japan, Jersey, Malta, Panama, Spain, Sweden and the United States.

Midland has representative offices in Argentina, Brazil, Chile, Colombia, Hong Kong, Ireland, Mexico, Russia, Singapore, Taiwan and Venezuela.

Midland also operates through the following overseas subsidiary undertakings: in Armenia - Midland Armenia Bank JSC; in Cayman - Midland Bank Trust Corporation (Cayman) Limited; in

Greece - Midland Pantelakis Securities 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 - Midland Bank AS.

In addition, Midland has a minority shareholding in British Arab Commercial Bank Limited. Midland's minority shareholding in Banco Roberts S.A., Argentina, was transferred to HSBC Holdings BV in August 1997 following the HSBC Group's acquisition of the entire shareholding of Roberts S.A. de Inversiones.

On 31 December 1997 Midland transferred its interests in Trinkaus & Burkhardt KGaA and Geyerzeller Bank AG to another company in the HSBC Group.

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 conversion of debt. Long-term debt exposures and debt: equity investments in Latin America continue to be reduced.

Forward Trust Group

Through Forward Trust Group Limited and its subsidiary undertakings ("Forward Trust"), Midland is one of the principal suppliers in the United Kingdom of instalment finance, leasing and invoice finance products, mainly to business customers. Forward Trust is self-contained operationally, but works closely with UK Banking to provide comprehensive financial packages for a wide variety of customer requirements.

Forward Trust Group Limited offers a comprehensive range of motor finance products and related services to corporate customers under the Swan National brand, with a separate unit responsible for consumers and small businesses. Other Forward Trust Group Limited divisions are organised to finance commercial vehicles, plant and equipment and materials handling machinery. In addition, a specialised finance division arranges large and complex leases. In Northern Ireland a full range of products is offered through a branch network.

Forward Trust Rail Services Limited provides, through its subsidiary undertaking, Forward Trust Rail Limited, passenger rolling stock under operating leases to privatised train operators in the United Kingdom.

Griffin Credit Services Limited offers financing, credit management and credit protection services to business customers and recovery services for personal and corporate debt.

Millennium Risk Management

The Year 2000 has widespread implications for computer and other technology based systems and equipment. Besides the direct impact on Midland, the ability of customers and suppliers to handle these issues is essential. Midland is treating the Year 2000 programme as a critical priority and a detailed implementation plan has been established. Year 2000 preparations have been underway since 1993 and Midland is on target to reach Year 2000 compliance to British Standards Institution requirements on major systems, including testing, by 31 December 1998. The overall objective is to ensure that there is no disruption to customer service up to, during or after the turn of the millennium. Midland is also seeking assurances from suppliers that their systems pass the "Millennium test". It is also critical for Midland's business customers to address the Year 2000 issues and Midland is taking steps to alert customers to the risks and to prompt them into action to achieve Year 2000 compliance.

The total cost for the upgrade or replacement of software and equipment directly related to the Year 2000 programme is estimated to be £36 million and is being funded through operating cashflows. £6 million was expensed during 1997. Costs relating to major system changes that are not directly related to the Year 2000 but which do address some Year 2000 issues are not included in the above cost.

European Economic and Monetary Union

Throughout Midland's businesses, extensive preparations are being made for the single European currency, which will be introduced from 1 January 1999. Although the United Kingdom will not participate from the outset, many companies with operations in, or trading links with, companies based in the euro area will be affected. Midland will therefore offer a range of services, including euro current accounts, payments and cash management services, loans and deposits, foreign exchange, derivatives and bond products, custody and trade services products. In addition, Midland will support its business customers with information to enable them to address the challenges and exploit the potential of European Monetary Union.

Canary Wharf

On 30 March 1998, HSBC Holdings plc announced its intention to develop a new headquarters building at London's Canary Wharf, bringing together some 8,000 staff from HSBC Holdings plc and its subsidiaries including Midland. Midland's site at Poultry will be retained as its flagship branch in London together with other London branches but its head office departments will relocate to the new building. It is intended that Midland will acquire the building comprising 1.1 million square feet area. The construction cost will be around £500 million and the relocation is expected to be implemented from the second half of 2001.

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
J.R.H. Bond	Chairman	Group Chairman, HSBC Holdings plc
K.R. Whitson	Deputy Chairman	Group Chief Executive, HSBC Holdings plc
W.R.P. Dalton	Chief Executive	
R.M.J. Orgill	Deputy Chief Executive	
D.W. Baker	Executive Director	
J.F. Devaney*	Non-Executive Director	Executive Chairman, Eastern Group PLC
R. Emerson*	Non-Executive Director	Director of Taxation and Treasury, Glaxo Wellcome plc
S.K. Green	Non-Executive Director	Executive Director Investment Banking and Markets, HSBC Holdings plc
A.J. Hales*	Non-Executive Director	Chief Executive, Allied Domecq PLC
Sir Wilfrid Newton*, CBE	Non-Executive Director	Chairman, Raglan Properties plc
A.C. Reed*	Non-Executive Director	Divisional Director, Financial Control, Marks & Spencer plc
H.A. Rose*	Non-Executive Director	Finance and Strategy Director, The Rover Group Limited

* denotes 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 1998:

	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	505
			Amount outstanding £m
Consolidated Loan Capital			
Undated subordinated loan capital of Midland Bank plc			
Undated Floating Rate Primary Capital Notes (U.S.\$750 million)			447
Undated Floating Rate Primary Capital Notes (U.S.\$500 million)			298
Undated Floating Rate Primary Capital Notes (Series 3) (U.S.\$300 million)			178
9 1/4% Step-up Undated Subordinated Notes			150
8.625% Step-up Undated Subordinated Notes			150
			1,223
Subordinated loan capital of Midland Bank plc			
Subordinated Floating Rate Notes 2001			250
8 1/8% Subordinated Notes 2004 (U.S.\$400 million)			237
9% Subordinated Notes 2005			200
7.625% Subordinated Notes 2006 (U.S.\$500 million)			298
14% Subordinated Unsecured Loan Stock 2002/2007			100
Subordinated Step-Up Coupon Callable Floating Rate Notes 2007 (U.S.\$50 million)			30
Subordinated Step-Up Coupon Floating Rate Notes 2007			149
6.95% Subordinated Notes 2011 (U.S.\$300 million)			179
7.65% Subordinated Notes 2025 (U.S.\$300 million)			177
			1,620
Subordinated loan capital of subsidiary undertakings			
7.55% Guaranteed Loan 1998 (Yen 6.3 billion)			28
7.25% Guaranteed Loan 1999 (Yen 3.0 billion)			14
7.41% Guaranteed Loan 1999 (Yen 10.0 billion)			45
Guaranteed Floating Rate Notes 1999 (U.S.\$200 million)			119
7 1/4% Dual Currency Guaranteed Bonds 1999 (Yen 5.0 billion)			23
Guaranteed Floating Rate Notes 1989/1999 (DM 200 million)			65
6.99% Guaranteed Loan 1999 (Yen 5.0 billion)			22
Guaranteed Floating Rate Unsecured Loan Stock/Notes 2001			1
12 1/4% Guaranteed Notes 2003 (U.S.\$150 million)			89
			406
Total Consolidated Loan Capital			3,249

Notes:

- (1) The ordinary share capital and the one preferred ordinary share of Midland Bank plc in issue are beneficially owned by HSBC.
- (2) On 12 June 1998, the Bank announced the issue of £200 million 6% per cent. Subordinated Notes due 2023 to be issued on 7 July 1998.

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 1998.

PURCHASE AND SELLING RESTRICTIONS

Save for having obtained the approval of the Information Memorandum by the London Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants or any securities to be issued or delivered upon their exercise, or distribution of any offering material relating to the Warrants or such securities, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

Neither the Warrants nor any securities to be issued or delivered upon their exercise have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and the Warrants may not be exercised within the United States or by or on behalf of any U.S. person. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act (the "**CEA**"). The Warrants may not, at any time, be offered, sold, delivered, traded or exercised, directly or indirectly in the United States or to, or for the account or benefit of, U.S. persons and a U.S. person may not, at any time, directly or indirectly maintain a position in the Warrants. The Issuer will not, directly or indirectly, offer, sell, deliver or trade the Warrants at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each dealer to which it sells Warrants at any time a confirmation or other notice setting forth the restrictions on offers, sales and deliveries of the Warrants in the United States or to, or for the account or benefit of, U.S. persons. At or prior to settlement of any sale of Warrants, the Issuer may require each purchaser thereof to certify that it is located outside the United States, is not a U.S. person and is not purchasing the Warrants for the account or benefit of a U.S. person, in addition to any other matters that the Issuer may require in order to comply with applicable law. In addition the Warrants will be exercisable only upon written certification by each person exercising a Warrant to the effect that such person is not a U.S. person, the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with any exercise thereof. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act and by the CEA and regulations and interpretations thereunder.

All applicable provisions for the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with the issue of the Warrants may be issued or passed on in the United Kingdom only to persons (other than persons to whom such document may otherwise lawfully be issued or passed on) 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).

Physical Settlement Warrants which relate to Securities which are an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offers of Securities Regulations 1995 (the "**Regulations**")) may not be offered or sold 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 Regulations.

In relation to any Tranche of Warrants, the relevant Supplement may specify other or additional restrictions on offers or sales of such Warrants or possession or distribution of offering material relating to such Warrants or otherwise.

OFFERS AND SALES

In respect of each Tranche of Warrants, the Issuer may retain some of the Warrants which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiry of the Warrants of any Tranche, to purchase or sell such Warrants in the open market or through private transactions.

The issue price of any Warrant specified in the relevant Supplement is an indicative value set by the Issuer as at the date of the Relevant Supplement. The Issuer reserves the right to offer such Warrants at any other price or prices as conclusively determined by it and no Warrantholder shall have a claim against the Issuer by reason of the price offered to it or any other Warrantholder.

TAXATION

Transactions involving Warrants may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving Warrants should consult their own tax advisers.

GENERAL INFORMATION

Application has been made to the London Stock Exchange for Warrants issued under the Programme to be admitted to the Official List. It is expected that the listing of the Programme on the London Stock Exchange will be granted on 26 June 1998. Any Tranche of Warrants 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 Supplement and any other information required by the London Stock Exchange, subject only to the issue of the relevant Global Warrant. Prior to official listing however, dealings in Warrants will be permitted by the London Stock Exchange in accordance with its rules. Settlement arrangements will be agreed between the Issuer and the Principal Warrant Agent in relation to each issue of Warrants.

Warrants may be issued pursuant to the Programme which will not be listed on the London Stock Exchange.

From the date of this document and throughout the life of the Programme, copies of the consolidated Annual Report and Accounts of the Bank (and the Auditors' Report thereon), including the Directors' Report in respect of each of the financial years ended 31 December 1996 and 31 December 1997, the Memorandum and Articles of Association of the Bank, all future consolidated Annual Reports and Accounts of the Bank, this document, the Warrant Agreement (to which is scheduled the form of Global Warrant) and all future Supplements (subject to the next paragraph) and the consent of KPMG Audit Plc referred to below shall be available for inspection during usual business hours at the registered office of the Issuer and at the office of the Principal Warrant Agent.

Copies of the Supplement in relation to each Series of Warrants which is listed on the London Stock Exchange will be available at the specified office of the Principal Warrant Agent. In the case of a Tranche of Warrants which is not listed on the London Stock Exchange or any other stock exchange, copies of the relevant Supplement will only be available for inspection by a Holder of Warrants of that Tranche.

The Warrants have been accepted for clearance through Euroclear and Cedel Bank. The appropriate common code and International Securities Identification Number in relation to the Warrants of each Series and any other clearing system as shall have accepted the relevant Warrants for clearance will be specified in the Supplement relating thereto.

Under Article 109g of the Treaty establishing the European Communities, as amended by the Treaty on European Union (the "**Treaty**"), the currency composition of the ECU may not be changed. The Treaty contemplates that European Economic and Monetary Union will occur in three stages, the second of which began on 1 January 1994 with the entry into force of the Treaty on European Union. The Treaty provides that the third stage of European Economic and Monetary Union will start on 1 January 1999 and on that date (i) the value of the ECU against the currencies of the member states participating in the third stage will be irrevocably fixed and (ii) the ECU will become a currency in its own right. On 17 June 1997, the Council of the European Union adopted Council Regulation (EC) No 1103/7, which recites that the name of that currency will be the euro and provides that, in accordance with the Treaty, references to the ECU will be replaced by references to the euro at the rate of one euro for one ECU. From the start of the third stage of European and Monetary Union, all payments expressed to be payable in ECU, or sums to be calculated by reference to ECU, in respect of a Warrant will be payable in, or calculated by reference to, euro at the rate of one euro for one ECU.

The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 28 June 1995. The continuation of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 26 June 1996, 24 June 1997 and 24 June 1998, respectively.

Save as disclosed herein, since 31 December 1997 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 Issuer and its subsidiary undertakings (taken as a whole).

KPMG Chartered Accountants, Registered Auditors has audited without qualification the Annual Report and Accounts of the Issuer for the financial year ended 31 December 1995. KPMG Audit

Plc has audited without qualification the Annual Report and Accounts of the Issuer for the financial years ended 31 December 1996 and 1997.

KPMG Chartered Accountants, Registered Auditors have given and not withdrawn their written consent to the issue of this document with the inclusion herein of their name in the form and context in which it is included and have authorised the contents of that part of the particulars for the purposes of the listing rules.

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 particulars for the purposes of the listing rules.

Neither the Issuer nor any of its subsidiary undertakings is engaged in any legal or arbitration proceedings (nor, so far as the Issuer is aware, are any legal or arbitration proceedings pending or threatened) which may have or have had during the previous twelve months a significant effect on the financial position of the Issuer and its subsidiary undertakings (taken as a whole).

Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom. An agreement to transfer a Warrant may, depending on the circumstances, be liable to stamp duty reserve tax.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Midland Bank plc
27/32 Poultry
London EC2P 2BX

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

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