



Midland Bank plc

(Incorporated with limited liability in England)

U.S.\$300,000,000

Undated Floating Rate Primary Capital Notes (Series 3)

Issue Price 100 per cent.

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

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

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

Samuel Montagu & Co. Limited

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

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

S. G. Warburg Securities

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

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

Union Bank of Switzerland (Securities) Limited

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

MI-MN 63 MIDLAND BANK plc

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

MID

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

Issue Price 100 per cent.

This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to the issue of U.S.\$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3) (the "Notes") by Midland Bank plc (the "Bank"). The Bank is responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.

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

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

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

TERMS AND CONDITIONS

This Note is one of a duly authorised issue of Notes (the "Notes") of Midland Bank plc (the "Bank"), in the aggregate principal amount of U.S.\$300,000,000 constituted by a trust deed dated 9th December, 1986 (the "Trust Deed") made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include its successors as trustee under the Trust Deed) and having the benefit of a Paying Agency Agreement dated 9th December, 1986 (the "Paying Agency Agreement") made between the Bank and the Paying Agents referred to below and of an Agent Bank Agreement dated 9th December, 1986 (the "Agent Bank Agreement") made between the Bank and The Chase Manhattan Bank, N.A.. The Trustee shall act as trustee for the holders for the time being of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed, the Paying Agency Agreement and the Agent Bank Agreement together with the Memorandum and Articles of Association of the Bank and the latest available annual consolidated accounts of the Bank will be available for inspection at the registered office of the Trustee being at the date hereof at Estates House, 66 Gresham Street, London EC2V 7HX and at the specified offices of the Principal Paying Agent and each of the Paying Agents named herein, or appointed in accordance with Condition 6 (the "Paying Agents"). The Noteholders and the holders of the Coupons (as defined in Condition 1) (the "Couponholders") will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Trust Deed.

1. Form, Denomination and Transfer

The 12,000 Notes are in bearer form serially numbered, 10,000 of which are in the denomination of U.S.\$10,000 and 2,000 of which are in the denomination of U.S.\$100,000, each with coupons and a talon for further coupons (together "Coupons") attached. Title to the Notes and the Coupons appertaining thereto will pass by delivery. The bearer of any Note and, subject to Condition 6, the bearer of any Coupon shall be deemed to be and shall be treated as the absolute owner thereof for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone or any notice of previous loss or theft thereof) and for all other purposes, whether or not such Note or Coupon shall be overdue.

2. Status and Subordination

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

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

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

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

3. Further Issues

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

4. Interest

(a) Interest Payments

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

(b) Period of Accrual of Interest

The Notes bear interest from 11th December, 1986 or, in the event that payment to the Bank of the subscription moneys in respect of the Notes is deferred, such later date as payment shall be made (the "Closing Date"). Where any principal in respect of any Note is to be repaid under Condition 5, interest thereon will cease to accrue from the due date for repayment unless, upon due presentation thereof, payment of principal or accrued interest is improperly withheld or refused.

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

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

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

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

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

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

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

(d) Rate of Interest

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

- (i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date") the Agent Bank will request the principal London offices of the Reference Banks (as described in (h) below) to provide the Agent Bank with their respective offered quotations (the "offered rates") to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for that Interest Period shall be 0.10 per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the offered rates of three out of five quoting Reference Banks (excluding the highest and lowest (or, in either case, if more than one, then one only of them) of the offered rates of all the Reference Banks);
- (ii) if on any Interest Determination Date four only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the offered rates of two out of the four quoting Reference Banks (excluding as aforesaid);
- (iii) if on any Interest Determination Date three or two only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the offered rates of all the quoting Reference Banks (but without excluding as aforesaid);
- (iv) if, on any Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such offered quotations, the Rate of Interest for the relevant Interest Period shall be whichever is the higher of:
 - (A) the Rate of Interest in effect for the last preceding Interest Period to which (i), (ii) or (iii) above shall have applied; and
 - (B) (i) a rate per annum which the Agent Bank determines as being 0.10 per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the rates, as communicated to and at the request of the Agent Bank by or on behalf of the Reference Banks or any two

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

(c) *Repayment at the Option of the Bank*

The Bank may, having given not less than 45 days' notice to the Trustee and on giving not more than 45 nor less than 30 days' notice to the Noteholders, repay all or some (being U.S.\$10,000,000 in principal amount or an integral multiple thereof) of the Notes on any Interest Payment Date falling in or after June, 1992 at their principal amount. Upon the expiration of such notice and subject to Condition 2 the Bank shall be bound to repay the principal amount of the Notes to which such notice refers and shall be bound to pay interest accrued in the Interest Period ending on such date and all Arrears of Interest in respect of all the Notes.

(d) *Drawings*

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

(e) *Purchases*

The Bank or any of its subsidiaries may at any time purchase Notes (i) in the open market or by tender or by private treaty at a price which shall not exceed (exclusive of accrued interest and expenses) 110 per cent. of the principal amount of the Notes and (ii) through The Stock Exchange at a price which shall not exceed 105 per cent. of the average of the middle market quotations of the Notes on The Stock Exchange as shown in The Stock Exchange Daily Official list for the ten business days before such purchase is made.

(f) *Cancellation*

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

6. Payments

Payments in respect of the Notes upon a winding up of the Bank in England will be made against surrender of the relevant Note, other payments of principal will be made against surrender of the relevant Note and other payments of interest will be made against surrender of the relevant Coupon at the specified office of any Paying Agent, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, subject in all cases to Condition 2 and to any fiscal or other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment, but without prejudice to the provisions of Condition 7. Without prejudice to the generality of the foregoing, the Bank reserves the right to require any person receiving payment in respect of the Notes upon a winding up of the Bank in England, repayment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States Federal Income Tax laws. *It is likely that corporations, including banks and other financial institutions, will only have to supply evidence of corporate status.*

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

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

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

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

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

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

7. Taxation

All repayments of principal and payments of interest by the Bank in respect of the Notes and/or Coupons will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any authority in the United Kingdom having power to tax, unless such withholding or deduction is required by law, in which event the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction

10. Replacement of Notes and Coupons

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

11. Notices

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

12. Meetings of Noteholders; Modification; Waiver; Substitution

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including, subject to the agreement of the Bank, the modification by Extraordinary Resolution of the terms and conditions of the Notes or the provisions of the Trust Deed. At any meeting convened for the passing of an Extraordinary Resolution the quorum will be persons holding or representing a clear majority, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on the Couponholders. Subject to certain exceptions, the Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, and (ii) the waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed which, in either case, is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders. Any such modification or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter.

Subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, the Trustee shall also agree, subject to the Notes and Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, and subject to the basis on which the Notes (together with Arrears of Interest and interest accrued in the current Interest Period) will be treated as having been converted into preference shares in the event of the winding up of the Bank in England not being altered in any way which in the opinion of the Trustee is materially prejudicial to the interests of the Noteholders, to the substitution of any subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons provided that the claims of the Noteholders and Couponholders shall, in the case of the substitution for the Bank of a banking subsidiary of the Bank, be subordinated (if legally possible in the manner *mutatis mutandis* to the provisions applicable to the Notes and the Coupons) to the rights of the depositors and other creditors (other than creditors subordinated on a basis equivalent to that mentioned in Condition 2) of that subsidiary and the right of repayment of any on-loan of the proceeds of the issue of the Notes by such subsidiary to the Bank shall be subordinated to at least the same extent.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, determination or substitution as aforesaid) the Trustee shall have regard to the interests of the Noteholders as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

13. Indemnification of the Trustee

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

14. Governing Law

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

USE OF PROCEEDS

The net proceeds of the issue of the Notes, which are expected to amount to U.S.\$299,250,000, will be employed for the conduct of the business of the Midland Bank group.

THE BANK

The Bank is the parent company of the Midland Bank group, the business of which consists of providing a wide range of banking, financial and related services. The Bank is one of the four major London clearing banks. At 31st December, 1985 the total assets of the Midland Bank group were £58 billion, of which the Bank constituted £33 billion. On a pro forma basis, adjusted for the sale of Crocker National Corporation (see Midland Bank group Results for the 6 months ended 30th June, 1986, Note 3) the total assets of the Midland Bank group would have amounted to £46 billion.

CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

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

	£'m
Share Capital	
Authorised	
Shares of £1 each	265
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Issued and credited as fully paid	
Shares of £1 each	231
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Reserves	
Share premium	275
Other reserves	1,341
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Shareholders' funds	1,847
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On 31st October, 1986 the Bank and its subsidiaries had outstanding the following perpetual floating rate notes, subordinated loan capital and long term borrowings:

	£'m	£'m
Perpetual floating rate notes		
The Bank		
Undated Floating Rate Primary Capital Notes (U.S.\$750m)	532	
Undated Floating Rate Primary Capital Notes (U.S.\$500m)	355	
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Subsidiaries		
Convertible Undated Floating Rate Subordinated Notes (FrFrs294m)	31	
	<hr/>	918
		<hr/>
Subordinated loan capital		
The Bank		
7½% Subordinated Unsecured Loan Stock 1983/93	5	
10¾% Subordinated Unsecured Loan Stock 1993/98	31	
Subordinated Floating Rate Notes 2001	250	
14% Subordinated Unsecured Loan Stock 2002/07	100	
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Subsidiaries		
Guaranteed Floating Rate Notes 1989 (U.S.\$125m)	89	
† Guaranteed Floating Rate Notes 1990 (U.S.\$15m)	11	
† Guaranteed Floating Rate Notes 1991 (U.S.\$45m)	32	
8¾% Guaranteed Bonds 1992 (U.S.\$50m)	36	
11½% Guaranteed Bonds 1992 (U.S.\$150m)	107	
Guaranteed Floating Rate Notes 1992 (U.S.\$150m)	107	
6½% Guaranteed Bonds 1986/1996 (DM200m)	69	
Guaranteed Floating Rate Notes 1986/1998 (DM300m)	103	
Guaranteed Floating Rate Notes 1999 (U.S.\$200m)	142	
† Guaranteed Floating Rate Unsecured Loan Stock 2001	17	
† Guaranteed Floating Rate Series A to C Unsecured Loan Stock 2001	1	
12¾% Guaranteed Notes due 2003 (U.S.\$150m)	107	
	<hr/>	821
		<hr/>
		2,125
		<hr/>
Long term borrowings		
Subsidiaries		
9.9% Mortgage repayable 1986/97	3	
Borrowings at fixed and variable rates between 6¼% and 16% repayable 1986/94 (FrFrs1,435m)	151	
3¾% Bonds repayable 1991/92 (SwFrs20m)	8	
13½% Note repayable 1997	25	
	<hr/>	187
		<hr/>
		2,312
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Notes:

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

Accounting Policies

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

Notes

1. Analysis of profit before taxation

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

2. Taxation

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

3. Crocker National Corporation

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

4. Provisions for bad and doubtful debts

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

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

management and underwriting commission of 0.10 per cent. of the principal amount of the Notes (plus VAT if applicable). In addition, the Bank has agreed to reimburse the Managers for certain of their expenses (plus VAT if applicable) in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate such Agreement in certain circumstances prior to payment to the Bank.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America. Accordingly, the Notes may not be offered, sold, resold or delivered, directly or indirectly in the United States (as defined below) or to any U.S. person (as defined below) (except to a Manager in its capacity as a dealer or, on the terms set forth below, to a branch of a U.S. bank located outside the United States (a "U.S. bank branch")) as part of the distribution of the Notes. Any offers, sales, resales or deliveries of any of the Notes in the United States or to U.S. persons (other than as referred to above) prior to the date at the expiration of 90 days after completion of the distribution of the Notes, as determined by Samuel Montagu & Co. Limited (the "Exchange Date") may violate United States law. Notwithstanding the expiration of such period, any offers, sales, resales or deliveries of Notes in the United States or to U.S. persons must be made in compliance with the registration requirements of the Securities Act of 1933 of the United States of America or pursuant to an exemption therefrom. Neither the Bank nor the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and they do not make any representation as to when, if at any time, the Notes may lawfully be offered, sold, resold or delivered in the United States or to U.S. persons.

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

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

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

The Notes will, at the Closing Date (which is expected to be 11th December, 1986) and until delivery of the Notes in definitive form, be wholly represented by a temporary global note (the "Temporary Global Note") without interest coupons, which will be deposited on the Closing Date with a common depository for Morgan Guaranty Trust Company of New York, as operator of the Euro-clear System ("Euro-clear"), and CEDEL S.A. for credit to the respective accounts of the Managers (or to such other accounts as they may direct) with Euro-clear and CEDEL S.A. The Temporary Global Note will be exchangeable for definitive Notes with coupons attached not earlier than the Exchange Date. On and after the Exchange Date, the exchange into definitive Notes will only be effected upon delivery of a certificate in the form set out in the Trust Deed either (i) that the beneficial owner is not a U.S. person or (ii) that the beneficial owner is a U.S. bank branch that has delivered the investment letter and otherwise met the requirements specified for offers to U.S. bank branches set forth in the Selling Restrictions. Any interest payable on the Temporary Global Note before the Exchange Date will be paid to Euro-clear or, as the case may be, CEDEL S.A. which will credit to the account of a person entitled to receive a definitive Note as shown by its records the amount of interest due on the Note but only upon receipt of a certificate in the form set out in the Trust Deed, not earlier than 15 days prior to the relevant Interest Payment Date, to the effect either (i) that the beneficial owner of the Note is not a U.S. person or (ii) that the beneficial owner is a U.S. bank branch that has delivered the investment letter and otherwise met the requirements specified for offers to U.S. bank branches set forth in the Selling Restrictions.

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

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

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

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

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Dated 3rd December, 1986