

DATED 16th September, 1985

Midland BANK plc

- and -

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

T R U S T D E E D

constituting

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

For Midland Bank plc:

COWARD CHANCE,
Royex House,
Aldermanbury Square,
London EC2V 7LD.

For The Law Debenture Trust
Corporation p.l.c.:

LINKLATERS & PAINES, (JFL)
Barrington House,
59/67 Gresham Street,
London EC2V 7JA.

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T H I S T R U S T D E E D is made the 16th day of September, 1985
B E T W E E N MIDLAND BANK plc. a company
incorporated under the laws of England whose registered office is at
Poultry, London EC2P 2BX (hereinafter called "the Bank") of the one part
and THE LAW DEBENTURE TRUST CORPORATION p.l.c. a company incorporated under
the laws of England whose registered office is at 66 Gresham Street, London
EC2V 7HX of the other part.

W H E R E A S :-

(A) The Bank has by resolutions of meetings of duly authorised committees of its Directors passed on 15th and 29th August, 1985 authorised the issue of the \$500,000,000 Undated Floating Rate Primary Capital Notes of the Bank, the said Notes to be constituted on the terms hereinafter appearing.

(B) The Law Debenture Trust Corporation p.l.c. has agreed to act as trustee of this Trust Deed on the terms and conditions hereinafter contained.

NOW THIS TRUST DEED WITNESSETH AND IT IS HEREBY AGREED AND DECLARED as follows:-

1. (A) IN these presents, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the meanings hereinafter mentioned (that is to say):-

"Agent Bank" means Citibank, N.A. or such other bank as may be appointed for the purposes of Condition 4 from time to time by the Bank with the approval of the Trustee and notice of whose appointment is given to the Noteholders in accordance with Condition 11;

"Agent Bank Agreement" means the Agreement dated 16th September, 1985 as the same may from time to time be altered with the approval of the Trustee, made between the Bank and Citibank, N.A. and whereby Citibank, N.A. was appointed Agent Bank and includes any other

agreement, the terms of which have been approved by the Trustee, appointing any other Agent Bank in substitution therefor or altering the terms of any such appointment;

"American On-loan" means the loan made by Midland American Capital Corporation to the Bank in relation to proceeds of the issue of the American Securities and pursuant to an agreement under seal dated 1st November, 1983 between Midland American Capital Corporation, the Bank and Pearl Assurance Public Limited Company and (unless the context otherwise requires) the interest and other moneys due thereon or thereunder from time to time and the amount thereof for the time being outstanding;

"American Securities" means the U.S.\$150,000,000 12 $\frac{3}{4}$ % Guaranteed Notes due November 15th, 2003 of Midland American Capital Corporation and any other Securities (as defined in the Indenture) and (unless the context otherwise requires) interest thereon and in each case the amounts thereof for the time being outstanding (within the meaning of the Indenture) or as the context may require a specific number thereof;

"Arrears of Interest" has the meaning provided in Condition 4(c);

"Auditors" means the auditors for the time being of the Bank or, if there shall be joint auditors of the Bank, any one of such joint auditors or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of these presents, or in such circumstances and for such purposes as the Trustee may approve, such other firm of accountants as may be nominated by the Bank and approved by the Trustee or failing such nomination and/or approval within 3 working days of a request by the Trustee to the Bank for such nomination, as may be nominated by the Trustee;

"Authorised Signatory" means any person who is represented by the Bank as being for the time being authorised to sign (whether

alone or with another person or other persons) on behalf of and so as to bind the Bank;

"Banking Subsidiary" means a subsidiary of the Bank having as its principal business the business of banking (which shall be deemed to include the business of term deposit-taking or merchant banking) or any banking activity which is, at the relevant time, generally recognised as an integral part of the business of banking;

"Business Day" means a day on which banks and foreign exchange markets are open for business in both London and New York City;

"CEDEL" means CEDEL S.A.;

"Conditions" means the Terms and Conditions endorsed on the Notes in the form or substantially in the form set out in the First Schedule as the same may from time to time be modified in accordance with the provisions of these presents and any reference in these presents to a Condition shall be construed accordingly; reference in these presents (excluding the Schedules and save where otherwise indicated) to any numbered Condition is to the Condition so numbered in the First Schedule;

"Couponholders" means the several persons who are for the time being holders of the Coupons;

"Coupons" means the bearer coupons appertaining to the Notes (including (i) any further Coupons issued in exchange for Talons in accordance with Clause 13(B)(xv) and (ii) any replacements for Coupons issued pursuant to Condition 10) and for the time being outstanding or, as the context may require, a specific number thereof and where the context so permits includes the Talons;

"Default" means any of the defaults set out in paragraph (a) of Condition 9 and any failure to meet any of the obligations referred to in paragraph (c) of Condition 9;

"Directors" in relation to the Bank means the Directors for the time being of the Bank;

"Eurobond On-loans" means the loans made by MIFS to the Bank in relation to the proceeds of the issue of the Guaranteed Bonds pursuant to agreements under seal dated 1st December, 1976, 1st September, 1977, 18th July, 1978, 18th December, 1979, 3rd June, 1980, 17th October, 1980, 28th April, 1981, 22nd July 1981, 1st December, 1982 and 2nd March, 1984 respectively and made between MIFS, the Bank and Pearl Assurance Public Limited Company and (unless the context otherwise requires) the interest and other moneys due thereon or thereunder from time to time and in each case the amounts thereof for the time being outstanding;

"Euro-clear" means Euro-clear Clearance System plc, c/o Morgan Guaranty Trust Company of New York, Euro-clear Operation Centre, Rue de la Régence 4, Brussels B-1000, Belgium, as operator of the Euro-clear system;

"Exchange Date" means the date not earlier than the date 90 days after the date of the completion of the distribution of the Notes, as determined by Samuel Montagu & Co. Limited and notified by it to the Bank, Euro-clear and the Trustee in writing by telex with confirmation by mail;

"Extraordinary Resolution" bears the meaning set out in paragraph 20 of the Second Schedule;

"guarantee" means a guarantee or an indemnity;

"Guaranteed Bonds" means the \$75,000,000 8 $\frac{3}{4}$ % Guaranteed Bonds 1986, the \$75,000,000 8 $\frac{3}{4}$ % Guaranteed Bonds 1992, the \$125,000,000 Guaranteed Floating Rate Notes 1993, the Guaranteed Floating Rate Notes 1989 and 10% Guaranteed Bonds 1989 (arising upon conversion thereof) in an aggregate principal amount of \$125,000,000 and the Guaranteed Floating Rate Notes 1992 and 9 $\frac{1}{2}$ % Guaranteed Bonds 1992 (arising on conversion thereof) in an aggregate principal amount

of \$150,000,000 of MIFS guaranteed by the Bank and constituted by Trust Deeds dated 1st December, 1976, 1st September, 1977, 18th July, 1978, 18th December, 1979 and 3rd June, 1980 respectively and made between MIFS, the Bank and Pearl Assurance Public Limited Company and the D.M. 180,000,000 8½% Deutsche Mark Bonds of 1980/1990 of MIFS guaranteed by the Bank and constituted by a Trust Deed dated 17th October, 1980 made between MIFS, the Bank and Pearl Assurance Public Limited Company and the \$150,000,000 Guaranteed Floating Rate Notes 1991 and the \$150,000,000 11½% Guaranteed Bonds 1992 and the U.S.\$200,000,000 Guaranteed Floating Rate Notes 1999 of MIFS guaranteed by the Bank and constituted by Trust Deeds dated respectively 28th April, 1981, 22nd July, 1981, 1st December, 1982 and 2nd March, 1984 and each made between MIFS, the Bank and Pearl Assurance Public Limited Company and the A\$50,000,000 13 3/8 per cent. Guaranteed Notes Due 1990 (payable in U.S. dollars) of MIAL guaranteed by the Bank and constituted by a Trust Deed dated 5th August, 1985 made between MIAL, the Bank and Pearl Assurance Public Limited Company and (unless the context otherwise requires) the coupons appertaining thereto and in each case the amounts thereof for the time being outstanding (within the meaning of each such Trust Deed), or, as the context may require, a specific number thereof;

"holding company" means a company which is for the time being the holding company of another company within the meaning of Section 736 of the Companies Act 1985 of Great Britain;

"Indenture" means the indenture dated as of 1st November, 1983 between Midland American Capital Corporation, the Bank and Citibank, N.A. and includes any indenture supplemental thereto;

"interest" includes Arrears of Interest;

"Interest Payment Date" has the meaning provided in Condition 4(c);

"MIAL" means Midland International Australia Limited, a company incorporated with limited liability in the State of New South Wales, Australia;

"MIFS" means Midland International Financial Services B.V. a company incorporated with limited liability in The Netherlands;

"month" means calendar month;

"Noteholders" means the several persons who are for the time being the holders of the Notes being, in the case of any Note, the person who is for the time being the bearer thereof and the word "holder" shall (where appropriate) be construed accordingly;

"Notes" means the notes in bearer form in the denomination of \$10,000 each with, at the date of issue, Coupons and one Talon attached, comprising the U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes hereby constituted and to be issued in or substantially in the form set out in the First Schedule and for the time being outstanding or, as the context may require, a specific number thereof and (i) (except for the purposes of Clause 4(A), (B), (C) and (D)) includes the temporary Global Note and (ii) includes any replacement Notes issued pursuant to Condition 10;

"Optional Interest Payment Date" has the meaning provided in Condition 4(c);

"Ordinary Creditors" means creditors of the Bank except creditors in respect of Subordinated Indebtedness;

"outstanding" means, in relation to the Notes, all the Notes other than (i) those Notes which have been redeemed in accordance with Condition 5 or otherwise in accordance with these presents, (ii) those Notes in respect of which the date of redemption in accordance with Condition 5 has occurred and the redemption moneys wherefor (including all interest payable hereunder in

respect thereof) have been duly paid to the Trustee or to the Principal Paying Agent in the manner provided in the Paying Agency Agreement and remain available for payment against presentation of those Notes and/or Coupons as the case may be, (iii) those Notes which have been purchased and cancelled as provided in Condition 5, (iv) those Notes which have become void under Condition 8, (v) those Notes which have been surrendered in exchange for the issue of replacement Notes pursuant to Condition 10 (vi) (for the purposes only of ascertaining the amount of Notes outstanding and without prejudice to the status for any other purpose of such Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10 unless such Notes are subsequently produced and (vii) the temporary Global Note to the extent that it shall have been exchanged for Notes in definitive form pursuant to its provisions;

PROVIDED THAT for each of the following purposes:-

(i) the right to attend and vote at any meeting of Noteholders;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 25(A)(i), Conditions 9 and 12 and paragraphs 2, 6, 7 and 11 of the Second Schedule;

(iii) any discretion, power or authority contained in these presents which the Trustee is required expressly or impliedly to exercise in or by reference to the interests of the Noteholders; and

(iv) the determination by the Trustee whether any event or potential event is or would be, in its opinion, materially prejudicial to the interests of the Noteholders;

those Notes (if any) which are for the time being beneficially

owned by the Bank or any of its subsidiaries shall be deemed not to remain outstanding;

"Paying Agency Agreement" means the Paying Agency Agreement dated 16th September, 1985 and made between the Bank, the Trustee and the paying agents named therein or any other agreement for the time being in force appointing the Principal Paying Agent or the Paying Agents or in connection with their duties, the terms of which have been approved by the Trustee, together with any agreement for the time being in force amending or modifying with the approval of the Trustee any of the aforesaid agreements;

"Paying Agents" means the several institutions (including where the context permits the Principal Paying Agent) named at the end of the Conditions or such other or further paying agents of the Bank for the Notes and Coupons as may from time to time be appointed by the Bank with the approval of the Trustee and notice of whose appointment is given to the Noteholders in accordance with Condition 11;

"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 Fourth Schedule;

"Primary Capital Indebtedness" (which excludes the Guaranteed Bonds, the Eurobond On-loans, the American Securities and the American On-loan) means (i) any money payable in respect of the Notes and Coupons and (ii) Subordinated Indebtedness the right to payment by the Bank by the terms whereof is, or is expressed to be, subordinated in the event of a winding up of the Bank to the claims of all or any of the creditors of the Bank, including all or any of the creditors in respect of Subordinated Indebtedness, pari passu with, or junior to, claims in respect of the Notes

and Coupons or is required by the terms of any agreement heretofore or hereafter entered into by the Bank to be so subordinated but is not so subordinated;

"Principal Paying Agent" means Citibank, N.A. of 336 Strand, London WC2R 1HB or such other principal paying agent for the Notes and Coupons as may from time to time be appointed by the Bank with the approval of the Trustee and notice of whose appointment is given to the Noteholders in accordance with Condition 11;

"Reference Banks" means the several banks named in Condition 4 and includes any successors appointed by the Bank in accordance with Condition 4 and approved by the Trustee and notice of whose appointment is given to the Noteholders in accordance with Condition 11;

"Relevant Date" has the meaning provided in Condition 7;

"Senior Creditors" means creditors of the Bank except creditors in respect of Primary Capital Indebtedness and includes creditors in respect of (i) the principal, premium (if any) and interest payable in respect of the Sterling Loan Stocks, (ii) any money payable under the guarantee of the American Securities or the Guaranteed Bonds and (iii) any money payable under the Eurobond On-loans or the American On-loans;

"Solvent" means, in relation to the Bank, that the Bank:-

(i) is able to pay its debts as they fall due; and

(ii) its Assets exceed its Liabilities (other than its Liabilities to persons in respect of Primary Capital Indebtedness);

"Insolvent" shall be construed accordingly, and for the purposes hereof, "Assets" means the unconsolidated gross assets (including

contingencies) of the Bank and "Liabilities" means the unconsolidated gross liabilities (including contingencies) of the Bank, all as shown in the latest published balance sheet having the benefit of an unqualified Auditors' report, but with such adjustments as the Auditors or, if the Bank is in winding up, the liquidator shall determine in their or his report given in accordance with Clause 3(E)(1)(ii);

"Sterling Loan Stocks" means the 7½ per cent. Convertible Subordinated Unsecured Loan Stock 1983/93 of the Bank (constituted by a Trust Deed dated 14th September, 1973 and made between the Bank and The Prudential Assurance Company Limited as amended by a First Supplemental Trust Deed dated 22nd March, 1974) and the 10¾ per cent. Subordinated Unsecured Loan Stock 1993/98 of the Bank (constituted by a Trust Deed dated 14th September, 1973 and made between the Bank and The Prudential Assurance Company Limited as amended by a First Supplemental Trust Deed dated 11th June, 1975) and any Further Stock (as defined in the said Trust Deeds) issued pursuant to sub-paragraph (i) or (ii) of sub-clause 6(A) of either such Trust Deed dated 14th September, 1973 or, as the context may require, the amounts thereof for the time being outstanding (within the meaning of the relevant Trust Deed);

"Subordinated Indebtedness" means any liability of the Bank howsoever arising for the payment of money (including (i) the principal, premium (if any) and interest payable in respect of the Sterling Loan Stocks, (ii) any money payable under the guarantee of the American Securities or the Guaranteed Bonds, (iii) any money payable under the Eurobond On-loans or the American On-loan and (iv) any money payable in respect of the Notes and Coupons) the right to payment of which by the Bank by the terms whereof is, or is expressed to be, subordinated in the event of a winding up of the Bank to the claims of all or any of the creditors of the Bank, or is required by the terms of any agreement heretofore or hereafter entered into by the Bank to be so subordinated but is not so subordinated;

"subsidiary" means a company which is for the time being a subsidiary (as that expression is defined by Section 736 of the Companies Act 1985 of Great Britain) of another company;

"Talon" means a bearer talon for further Coupons in the form set out in the Second Schedule (including (i) any further Talons issued in accordance with Clause 13(B)(xv) and (ii) any replacement Talon issued pursuant to Condition 10);

"temporary Global Note" means the temporary global note in bearer form without Coupons to be issued on the Closing Date in accordance with Clause 4(B) in or substantially in the form set out in the Third Schedule and initially representing the Notes;

"these presents" means this Trust Deed and the Schedules hereto and any trust deed or other document executed in accordance with the provisions hereof (as from time to time modified) and expressed to be supplemental hereto;

"The Stock Exchange" means The Stock Exchange of the United Kingdom and the Republic of Ireland;

"trust corporation" means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain to act as a custodian trustee;

"Trustee" means The Law Debenture Trust Corporation p.l.c. or other the trustee or trustees for the time being of these presents.

(B) References in these presents to costs, charges and expenses shall include any Value Added Tax or similar tax charged in respect thereof.

(C) References in these presents (except in Clause 2) to the principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under Condition 7 or, if applicable, under any undertakings or covenants given pursuant to Clause 4(F) or Clause 24(A)(iii).

(D) All references in these presents to "dollars" or "U.S. dollars" or the sign "\$" shall be construed as references to United States dollars which within the United States of America are freely transferable by residents and non-residents of the United States of America and convertible by such persons into other freely convertible currency unless such transferability and convertibility is restricted by any law or regulation of general application in which event references to "dollars" or "U.S. dollars" or the sign "\$" shall be construed as references to such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts in the United States of America.

(E) References in these presents and the Conditions to the remedies of the Trustee, the Noteholders and Couponholders being restricted to bringing proceedings for the winding up of the Bank in England shall not restrict the right of the Trustee or the Noteholders or Couponholders to prove (in the case of the Noteholders and the Couponholders, in the manner described in Clause 8(C) and Condition 9(e) mutatis mutandis) in any winding up of the Bank in England commenced by any other person and such proof shall be deemed not to be the exercise of a remedy or the enforcement of a right.

(F) All references in these presents to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such re-enactment.

(G) References in these presents to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.

(H) Unless the context otherwise requires words or expressions contained in these presents shall bear the same meanings as in the Companies Act 1985 of Great Britain; words denoting the singular number only shall include the plural number also and vice versa; words denoting the masculine gender only shall include the feminine gender also; and words

denoting persons only shall include corporations.

(I) References in these presents to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business as a dealer in securities. For this purpose a "dealer in securities" shall mean any person whose ordinary business it is to buy or sell shares, debentures and other securities, whether as principal or agent.

(J) The index inserted herein is for convenience only and shall not affect the construction of these presents.

2. THE total principal amount of the Notes (excluding those allegedly lost or stolen of which replacements shall have been issued pursuant to Condition 10) is limited to \$500,000,000.

3. (A) AS and when the Notes or any of them become due to be repaid in accordance with the Conditions, the Bank shall (subject to sub-clause (E) of this Clause 3) unconditionally pay or procure to be paid to or to the order of the Trustee in dollars in same day funds in New York City the principal amount of the Notes becoming due for repayment on that date and shall (subject as aforesaid) until such payment (as well after as before any judgment or other order of any court of competent jurisdiction is duly made) pay in the manner prescribed by Condition 6 to or to the order of the Trustee as aforesaid interest on the principal amount of the Notes at a rate calculated from time to time in accordance with Condition 4 Provided that every payment of principal or interest in respect of the Notes made to or to the order of the Principal Paying Agent in the manner provided in the Paying Agency Agreement shall be a satisfaction pro tanto of the relevant covenant by the Bank in this Clause contained except to the extent that there is default in the subsequent payment thereof to the Noteholders or Couponholders in accordance with the Conditions and Provided Further that so long as the Paying Agents are pursuant to the Paying Agency Agreement obliged to make payments in respect of any outstanding Notes or Coupons with regard to which replacements have been issued pursuant to Condition 10 nothing in this Clause contained shall require the Bank to make any such payment to the Trustee or any such payment or provision for payment to or to the account of or with the Principal Paying Agent in the manner provided

in the Paying Agency Agreement in respect of any such outstanding Notes or Coupons unless and until the Principal Paying Agent shall be entitled to and does notify the Bank in writing that it requires to be reimbursed any amount paid by it in respect thereof in which event the Bank shall forthwith reimburse the Principal Paying Agent such amount and Provided Further that in the event of the winding up of the Bank in England the Bank shall make payment to the Trustee of such moneys as shall fulfill its obligations under sub-clause (E) of this Clause. In any case where a due date for payment of principal or interest shall not be a business day in the city in which any Paying Agent is located, such payment shall be made by such Paying Agent on the next succeeding business day with the same force and effect as if it had been made on such due date for payment.

(B) Prior to the commencement of the winding up of the Bank in England and in the case of any payment or provision for payment of principal made to the Trustee or the Principal Paying Agent after the due date interest shall continue to accrue on the principal amount of the Notes due for repayment up to and including the final date (being not later than 30 days after the date on which the whole of such principal amount, together with an amount equal to the interest which has accrued and is to accrue up to and including such final date, has been received by the Trustee or the Principal Paying Agent) which the Trustee determines to be the date on and after which payment is to be made to the Noteholders in respect thereof as stated in a notice given to the Noteholders pursuant to Condition 11.

(C) Prior to the commencement of the winding up of the Bank in England and in any case where payment of the whole or any part of the principal amount of any Note is improperly withheld or refused interest shall accrue on the principal amount of such Note payment of which has been so withheld or refused from the date of such withholding or refusal until the earlier of the date on which, upon further presentation thereof, payment in full is made and the date which is 7 days' after notice is given in accordance with Condition 11 that the full amount in dollars payable in respect of such Note is available for payment provided that, subject always to Condition 5, upon due presentation of such Note payment in full is not improperly refused or withheld.

(D) Interest accruing on any principal amount of any Notes pursuant to sub-clause (B) or (C) above shall be at the rate (calculated mutatis mutandis in accordance with the provisions of Condition 4) current at the commencement of the period of accrual (or where applicable which would then have been current had such Notes not been due for repayment at that time) up to but excluding the date which would have been the next Interest Payment Date therefor and thereafter at rates so calculated and shall be payable on each such Interest Payment Date, whether or not a Compulsory Interest Payment Date.

(E) (1) (i) The obligation of the Bank to make any payment of interest (and where applicable, any repayment of principal) in respect of the Notes and Coupons, whether prior or subsequent to the commencement of a winding up in England, is conditional upon the Bank being able to make such payment and remain Solvent immediately thereafter and accordingly no payment in respect of the Notes or Coupons which under any other Clause hereof or sub-clause of this Clause would otherwise fall due for payment whilst the Bank was Insolvent will fall so due, and instead such payment will become due for payment only if and when and to the extent that the Bank could make such payment and still be Solvent (whether or not it was in winding up) immediately thereafter. Prior to the commencement of the winding up of the Bank in England interest will continue to accrue on any Notes payment of which is suspended under this sub-clause subject to and in accordance with the provisions of Clause 3(A), (B) and (C) and the Conditions.

(ii) The Bank may at any time and shall whenever requested by the Trustee procure that the Auditors of the Bank or (if the Bank is in winding up) the liquidator of the Bank shall give a report in writing to the Trustee as to whether or not the Bank, on the basis of such information as the Bank may at the request of the Auditors make available to the Auditors or (if the Bank is in winding up) on the basis of the information available to the liquidator, is or would in any specified circumstances be Solvent for the purposes of paragraph (i) of this sub-clause and in the absence of proven error such report shall be treated and accepted by the Bank, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence of such fact. In the absence of any such evidence to

the contrary, it shall for the purposes hereof be assumed (unless the contrary is proved) that the Bank is and will after any payment hereunder be Solvent for such purposes. No Noteholder or Couponholder shall be entitled to proceed against the Auditors in connection with the exercise or non-exercise by them of their powers, duties and discretions under this paragraph.

(iii) The provisions of this sub-clause (E) apply only to the principal and interest in respect of the Notes, and nothing in this Clause shall affect or prejudice the payment of the costs, charges, expenses or liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

(iv) If any money shall be paid by the Bank to the Trustee or any Noteholder or Couponholder at a time when as a consequence of Clause 3(E) or Condition 2 the Bank is under no obligation to pay the same, such money shall not (subject only to Clause 5(A)(ii)) be recoverable by the Bank and the Bank shall have no right against the Trustee, the Principal Paying Agent or any other Paying Agent, or any Noteholder or Couponholder in respect of such payment.

(v) The Bank shall be at liberty subject to Clause 13(B)(xviii) from time to time without the consent of the Noteholders or the Couponholders to create and issue any class of share capital 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, and if in the opinion of the Trustee any modification to the provisions of these presents to permit such ranking is necessary or expedient the Trustee is hereby authorised to concur with the Bank in executing a supplemental trust deed effecting such modification.

(2) In the event of the winding up of the Bank in England the Notes shall be treated as if at the close of business on the Business Day preceding the commencement of the winding up of the Bank the principal amount payable in respect of the Notes together with Arrears of Interest and interest accrued in the current Interest Period had been converted into

Preference Shares credited as fully paid according to the following formula:-

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

Where:-

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

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

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

whereupon, the entitlement of Noteholders in respect of the principal repayable and interest payable in respect of the Notes shall, in lieu of the repayments and payments heretofore provided, be (subject to Clause 3(E)(1) and 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.

For the purposes of the foregoing provisions of this paragraph (2):-

(i) the Preference Shares shall be treated as if the same had been created pursuant to a special resolution of the Bank passed at the date hereof; and

(ii) there shall not be conferred or be treated as conferred on the Noteholders any further remedy against the Bank other than as specifically provided by Clause 8 or the Conditions.

(F) Upon request by the Trustee to the Bank, the Bank shall procure that the Agent Bank determines "R" pursuant to sub-clause (E)(2) and publishes the same in accordance with Condition 11. In the event that the Agent Bank does not following such request for any reason determine "R" the Trustee shall determine it at such rate as, in its absolute discretion, it shall deem fair and reasonable in all the circumstances; and each such determination or calculation shall be deemed to have been made by the Agent Bank. Any determination given, expressed, made or obtained for the purposes of the provisions of this sub-clause, whether by the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent Bank, the Trustee and all of the Noteholders and Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Agent Bank or the Trustee, or either of them in connection with the exercise or non-exercise by them of their powers, duties and discretions under this sub-clause.

(G) In circumstances where the second proviso to Condition 9(a) has been applied the Trustee may at any time and from time to time by notice in writing to the Bank require the Bank to take such action (including but not limited to proceedings for a declaration by a relevant court) as the Trustee in its absolute discretion considers appropriate to resolve the doubt, in which event the Bank shall forthwith take and expeditiously proceed with such action and shall be bound by any final resolution of the doubt resulting therefrom. If such resolution determines that the relative payment can be made without infringing any applicable law, regulation or order then the said proviso shall forthwith cease to apply and the relative grace period provided for in Condition 9(a) shall expire 7 or as the case may be 14 days after service by the Trustee on the Bank of notice informing it of such resolution. If so required by the Trustee the Bank shall as promptly as practicable after such resolution give a notice to Noteholders with regard thereto in accordance with Condition 11 in a form previously approved by the Trustee.

(H) At any time after a Default and at any other time with the written consent of the Bank the Trustee may:-

(a) by notice in writing to the Bank, the Principal Paying Agent and

the other Paying Agents require the Principal Paying Agent and the other Paying Agents pursuant to the Paying Agency Agreement:-

(i) to act thereafter as Principal Paying Agent and Paying Agents respectively of the Trustee in relation to payments to be made by or on behalf of the Trustee under the provisions of these presents mutatis mutandis on the terms provided in the Paying Agency Agreement (save that the Trustee's liability under any provisions thereof for the indemnification of the Paying Agents shall be limited to the amounts in respect of the Notes for the time being held by the Trustee on the trusts of these presents) and thereafter to hold all cancelled Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons on behalf of the Trustee; and/or

(ii) to deliver up all cancelled Notes and Coupons and Talons and all sums, documents and records held by them in respect of Notes and Coupons and Talons to the Trustee or as the Trustee shall direct in such notice, Provided that such notice shall be deemed not to apply to any documents or records which the relative Paying Agent is obliged not to release by any law or regulation; and

(b) by notice in writing to the Bank require it to make all subsequent payments in respect of the Notes and Coupons to or to the order of the Trustee and not to the Principal Paying Agent; with effect from the issue of any such notice to the Bank until such notice is withdrawn the first proviso to sub-clause (A) of this Clause shall cease to have effect.

4. (A) (i) THE Notes and Coupons shall be in or substantially in the respective forms set out in the First Schedule. The Notes shall have endorsed thereon the Conditions also set out in the First Schedule and shall be issued in denominations of \$10,000 each serially numbered with Coupons and one Talon attached. Title to the Notes and the Coupons appertaining thereto shall pass by delivery.

(ii) The Notes (which expression in these sub-clauses 4(A), (B), (C) and (D) excludes the temporary Global Note) shall be executed under the securities seal of the Bank in accordance with the Bank's Articles of Association and the Coupons shall be signed manually or in facsimile by one Authorised Signatory. The Bank may use on any Coupon a facsimile signature of an Authorised Signatory of the Bank notwithstanding the fact that when such Coupon shall be delivered any such person shall have ceased to hold office or to exist at the date of issue of such Coupon. Notes and Coupons so executed shall be valid and binding obligations of the Company.

(B) On the Closing Date the Bank shall not issue the Notes but shall deliver to a common depositary in London (the "Depositary") for CEDEL and Euro-clear on the Closing Date on terms that the Depositary shall hold the same for the account of the persons who would otherwise be entitled to receive the definitive Notes (as notified to the Depositary by Samuel Montagu & Co. Limited) and their successors in title, the temporary Global Note which shall be initially in the principal amount of \$500,000,000 and shall be without Coupons and printed or lithographed or typewritten and executed under seal of the Bank in the form or substantially in the form set out in the Third Schedule. The Bank shall issue the definitive Notes (together with Coupons and a Talon for further Coupons attached) in exchange for the temporary Global Note in accordance with the provisions therein contained.

(C) The provisions contained in the temporary Global Note and concerning the conditions for the exchange of the temporary Global Note for Notes shall not alter or impair the obligations of the Bank (which are absolute and unconditional) to pay the principal of and interest on the Notes (including the temporary Global Note) to the Trustee on the dates and at the places and at the rate and in the coin or currency prescribed.

(D) The Bank will pay any stamp or other similar duties or taxes payable in the United Kingdom on or in connection with (i) the execution of these presents (ii) the constitution and original issue of the Notes or (iii) any action taken by the Trustee to enforce the provisions of the Notes, the Coupons or these presents.

(E) The Bank hereby covenants to comply with those provisions of these presents which are expressed to be binding on it and to perform and observe the same. The Notes and Coupons shall be held subject to the provisions contained in these presents, all of which shall be binding to the extent aforesaid upon the Bank, the Noteholders and the Couponholders and all persons claiming through or under them respectively.

(F) If the Bank shall become subject generally to the taxing jurisdiction of any territory or any authority therein having power to tax other than or in addition to the United Kingdom or any such authority in the United Kingdom then the Bank shall (unless the Trustee shall otherwise agree) give to the Trustee an undertaking or covenant in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 7 with the substitution for, or (as the case may require) the addition to, the references therein to the United Kingdom or any such authority in the United Kingdom having power to tax of references to that other or additional territory or any authority therein having power to tax to whose taxing jurisdiction the Bank shall have become subject as aforesaid.

5. (A) IN the event of a winding up of the Bank claims in respect of the Notes and Coupons shall be postponed to the claims of the Senior Creditors and any amounts receivable by the Trustee from the liquidator in such winding up in respect of the Notes and Coupons shall be received by the Trustee upon trust to apply the same as follows:-

(i) first, in payment or satisfaction of the costs, charges, expenses and liabilities incurred by the Trustee including any unpaid remuneration in or about the execution of the trusts of these presents;

(ii) secondly, if prior to receipt of any such amounts or within 30 days thereafter the Trustee is provided with a report pursuant to Clause 3(E)(1)(ii) hereof (which shall be requested by the Trustee on receipt of any such amounts) which states that the Bank could not make or could not have made payment of such amounts and still be Solvent (disregarding, for the purposes of this sub-clause 5(A) only, paragraph (i) of the definition of Solvent in Clause 1(A)) immediately

thereafter, in the return to the Bank of the whole or such part of such amounts (after any necessary deductions pursuant to (i) of this Clause) as caused the Bank not to be then so Solvent (disregarding as aforesaid), and if no such report is provided within such period of 30 days the Trustee shall return the whole of such amounts to the Bank (and any money so returned shall then be treated for the purposes of the Bank's obligations hereunder as if it had not been paid by the Bank and its original payment shall be deemed not to have discharged any of the obligations of the Bank hereunder);

(iii) thirdly, in payment of any claims in respect of the Notes and Coupons (to the respective extents that the Trustee's claims in respect thereof shall be admitted in such winding up) pari passu and rateably; and

(iv) fourthly, in payment of the balance (if any) to the Bank.

Without prejudice to the provisions of this Clause if the Trustee shall hold any moneys which represent principal or interest in respect of Notes or Coupons which have become void under Condition 8 the Trustee shall (subject to payment or provision for the payment or satisfaction of the said costs charges expenses and the liabilities including the remuneration of the Trustee) pay the same as provided in (iv) above.

(B) The provisions of sub-clause (A) above apply only to the principal and interest payable in respect of the Notes and Coupons, and nothing in this Clause shall affect or prejudice the payment of the costs, charges, expenses and liabilities incurred by the Trustee including any unpaid remuneration in or about the execution of the terms of these presents or the rights and remedies of the Trustee in respect thereof.

6. THE provisions contained in the Schedules shall have full effect in the like manner as if the same had been incorporated herein.

7. SHOULD the Trustee make any claim or lodge any proof in a winding up of the Bank under these presents or under the Notes or Coupons:-

(i) proof that as regards any specified Note the Bank has made default in paying any principal due to the relative Noteholder shall (unless the contrary be proved) be sufficient evidence that the Bank has made the like default as regards all other Notes which are then repayable; and

(ii) proof that as regards any specified Coupon relating to the Notes the Bank has made default in paying any interest due to the relative holder of the Coupon shall (unless the contrary be proved) be sufficient evidence that the Bank has made the like default as regards all other outstanding Coupons relating to the Notes.

8. (A) IF default is made for a period of 7 days or more in the repayment of any principal due on the Notes or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes or any of them then the Trustee may, in order to enforce payment, at its discretion and without further notice institute proceedings for the winding up of the Bank in England Provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, or (ii) (subject as provided in Clause 3(G)), in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee, as to such validity or applicability.

(B) 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 these presents, the Notes or the Coupons (other than any obligation for the payment of principal moneys or interest in respect of the Notes or the Coupons) Provided that the Bank shall not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Bank be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. The Trustee may

only institute proceedings for the winding up of the Bank to enforce the obligations above referred to in this sub-clause if a Default 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.

(C) No remedy against the Bank other than as specifically provided by this Clause 8 or by the Conditions shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of any breach by the Bank of any of its obligations under these presents or the Notes or Coupons or otherwise, and no Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings against the Bank for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9. (A) ALL moneys received by the Trustee including any amounts received from the Bank under Clause 25 consequent upon payment in respect of the Notes becoming due in a winding up under the provisions of Condition 9 shall be held by the Trustee (subject always in the case of moneys received in a winding up of the Bank to the provisions of Clause 5) upon trust to apply the same:-

(i) in payment of all costs, charges, expenses and liabilities incurred and payments made by the Trustee under the provisions hereof and all remuneration payable to the Trustee;

(ii) in or towards payment *pari passu* and rateably of all moneys due in respect of the Notes and all interest; and

(iii) the balance (if any) in payment to the Bank.

Without prejudice to the provisions of this Clause if the Trustee shall

hold any moneys which represent principal or interest in respect of Notes or Coupons which have become void under Condition 8 the Trustee shall (subject to payment or provision for the payment or satisfaction of the said costs, charges, expenses and liabilities including the remuneration of the Trustee) pay the same to the Bank.

(B) The Trustee shall give not less than 14 days' notice to the Noteholders in accordance with Condition 11 of the day fixed for any payment to them under sub-clause (A) of this Clause. Such payment shall be made in accordance with Condition 6 and any payment so made shall be a good discharge to the Trustee.

(C) If the amount of the moneys at any time applicable under sub-clause (A) of this Clause for payment of the moneys referred to in paragraph (iii) contained therein shall be less than 10 per cent. of the amount then due to the Noteholders and/or the Couponholders the Trustee may, at its discretion, invest such moneys upon some or one of the investments hereinafter authorised with power from time to time, at the like discretion, to vary such investments; such investments with the resulting income thereof may be accumulated until the accumulation together with any other funds for the time being under the control of the Trustee and applicable for the purpose shall amount to a sum sufficient to pay at least the above percentage amount due on the Notes and/or the Coupons and then such accumulations and funds shall be applied in manner aforesaid.

10. ANY payment to be made in respect of the Notes and/or the Coupons by the Bank, or the Trustee may be made in the manner provided in these presents and any payment so made shall be a good discharge pro tanto to the Bank or the Trustee as the case may be. Any payment of interest made in respect of a Coupon shall extinguish any claim which may arise directly or indirectly in respect of such interest from the relative holder of the Note to which such Coupon relates.

11. UPON any payment under the provisions of sub-clause (A) of Clause 9 the Note or Coupon in respect of which such payment is made shall be produced to the Trustee or the Paying Agent by or through whom such payment is made who shall, in the case of partial payment, cause the Note or Coupon

concerned to be enfaced with a memorandum of the amount and date of payment on such Note or Coupon and who shall, in the case of payment in full, cause to be surrendered to the Company such Note or Coupon or shall cancel or procure the same to be cancelled and shall certify or procure the certification of such cancellation.

12. ANY moneys which under the trusts herein contained ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to the aforesaid or not, which may be selected by the Trustee and approved by the Bank or by placing the same on deposit with a bank (including with the Trustee or any subsidiary or holding company of the Trustee, if a banker) in the name or under the control of the Trustee as the Trustee may think fit and in such currency as the Trustee may think fit and the Trustee may at any time vary or transpose any such investments for or into other such investments and shall not be responsible for any loss occasioned thereby whether by depreciation in value or otherwise.

13. (A) SO long as any of the Notes or Coupons remains outstanding the Bank shall at all times maintain (a) one Paying Agent having a specified office in a European country other than the United Kingdom and, so long as the Notes are listed on The Stock Exchange, a Paying Agent having a specified office in the City of London, (b) an Agent Bank and (c) five Reference Banks.

(B) So long as any of the Notes or Coupons remains outstanding the Bank shall:-

(i) at all times carry on and conduct its affairs in a prudent manner and in accordance with accepted banking practice;

(ii) at all times keep proper accounting records and supply to the Auditors all such information as they may request in order to prepare any report required for the purposes of Clause 3(E)(1)(ii);

(iii) upon becoming aware of any Default or any event which with lapse of time would be a Default, forthwith give notice thereof in writing to the Trustee and without waiting for the Trustee to take any of the actions mentioned herein;

(iv) at all times give to the Trustee such information as it shall reasonably require for the purpose of the discharge of the duties, powers, trusts, authorities and discretions vested in it hereunder or by operation of law;

(v) (in addition to any copies to which the Trustee may be entitled as a holder of any securities in the Bank) send to the Trustee two copies of every balance sheet, profit and loss account, report or other notice, statement or circular issued by or on behalf of the Bank to the members or holders of the Sterling Loan Stocks or other stockholders of the Bank in their capacity as such at the time of the issue thereof;

(vi) at all times execute and do all such further documents, acts and things as may be necessary at any time or times to give effect to the terms and conditions of these presents;

(vii) send to the Trustee, within seven days after request by the Trustee and annually together with a copy of the audited annual accounts of the Bank, a certificate of the Bank signed by any two of its Directors to the effect that to the best of their knowledge, information and belief having made all due and careful enquiries:-

(a) there did not exist, as at a date not more than five days prior to the date of the certificate, any Default or any event which with lapse of time would be a Default or, if such a Default or event did then exist, specifying the same; and

(b) during such period as the Trustee may specify, the Bank has complied with its obligations contained in these presents;

(viii) send to the Trustee, not later than the date of publication,

two copies of each notice regarding the Notes published in accordance with Condition 11;

(ix) oblige the Principal Paying Agent to notify the Trustee forthwith in the event that the Bank has not unconditionally paid to or to the account of the Principal Paying Agent on the date or in the manner provided by the Paying Agency Agreement the full amount in dollars of the money payable on all or any of the Notes or Coupons;

(x) in the event of the unconditional payment to the Principal Paying Agent or the Trustee of any sum due in respect of the Notes or any of them or any of the Coupons being made after the due date for payment thereof, forthwith cause notice to be given to the Noteholders in accordance with Condition 11 that such payment has been made;

(xi) at all times use its best endeavours to maintain the listing of the Notes on The Stock Exchange in London until none of the Notes is outstanding provided always that if the Bank is unable to maintain such listing having used such best endeavours, the Bank shall use its best endeavours to obtain and maintain the quotation for, or listing of, the Notes on such other stock exchange or exchanges as the Bank may with the approval of the Trustee decide and if there is not a paying agent in the country where such listing is obtained, the Bank will procure the appointment of a paying agent in such country in accordance with the provisions of Condition 6;

(xii) comply with, observe and perform all its obligations under, and procure that the Principal Paying Agent and the Agent Bank perform their respective obligations with regard to giving notices under the Paying Agency Agreement and the Agent Bank Agreement;

(xiii) not do or permit any act or omission whereby the Bank would without the prior consent of the Trustee cease to be domiciled or to be exclusively resident (for the purposes of taxation jurisdiction) in the United Kingdom;

(xiv) give not less than 85 days' notice to the Trustee and the Noteholders in accordance with Condition 11 of the proposed

appointment, resignation or removal of any Paying Agent save where no notice of the proposed appointment shall be required pursuant to the Paying Agency Agreement but in all cases shall give notice to the Noteholders in accordance with Condition 11 of any appointment of any Paying Agent, Agent Bank or Reference Bank (other than the appointments of the initial Paying Agents, Agent Bank and Reference Banks) within 4 days thereafter, Provided always that so long as any of the Notes remains liable to prescription in the case of the termination of the appointment of the Principal Paying Agent or outstanding (in the case of the termination of the appointment of the Agent Bank) no such termination shall take effect except in accordance with the provisions of the Paying Agency Agreement or the Agent Bank Agreement;

(xv) cause the Paying Agents to make available further Coupons (including a further Talon comprised in each Coupon sheet) against the Talons in accordance with the provisions of the Paying Agency Agreement and the Conditions and cause the Principal Paying Agent to cancel all Talons surrendered in exchange for further Coupons or surrendered pursuant to Condition 10 and keep a full and complete record of all Talons, including their surrender or replacement and their cancellation, and to make available such record to the Trustee on request;

(xvi) 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 payments be made in New York City, and (iii) such payment is then permitted by United States law;

(xvii) send to the Trustee a copy of any petition presented to wind up the Bank in England received by the Bank;

(xviii) not after the date hereof issue any share capital upon terms that the holders of the same are entitled in a winding up of the Bank in England to a return of assets in respect of such share capital in priority to or pari passu with payment in respect of the Notes in such winding up provided that the Bank shall be entitled to issue share capital upon such terms so long as the nominal amount of each class of such share capital in issue does not exceed £100 and that such share capital is subscribed for cash at par otherwise than by way of rights.

(C) So long as any of the Notes remains outstanding the Bank shall in order to enable the Trustee to ascertain the amount of Notes for the time being outstanding for any of the purposes referred to in the proviso to the definition of "outstanding" contained in Clause 1 deliver to the Trustee forthwith upon being so requested in writing by the Trustee a certificate in writing signed by two Directors of the Bank setting out to the best of their knowledge, information and belief so far as it is lawful to ascertain or disclose the total numbers of Notes which up to and including the date of such certificate have:-

(i) been purchased for its own account by or on behalf of the Bank whether or not cancelled; and

(ii) been purchased and are at the date of the certificate beneficially held by or on behalf of any subsidiary of the Bank.

(D) Nothing in this Clause shall entitle the Trustee to any information regarding matters (i) for which the Bank or any of its subsidiaries would be entitled to claim exemption from disclosing by reason of the provisions of Part III of Schedule 9 to the Companies Act 1985 or any other statute in any jurisdiction in which it operates analogous thereto and irrespective of whether any such exemption is being claimed or has been waived for any other purpose or (ii) which the Bank or any subsidiary of the Bank is under a duty imposed by law not to disclose or (iii) the disclosure of which could properly be regarded by the Bank or any of its subsidiaries as improper.

14. (A) THE Bank shall pay to the Trustee remuneration for its services as trustee as from 18th September, 1985 at such rate as may from time to time be agreed between the Bank and the Trustee, payable in arrear on 18th September in each year. the first such payment to be made on 18th September, 1986. The rate of remuneration shall be adjusted in any event once every 10 years so that the rate shall be adjusted in proportion to the change in the Retail Price Index (or its successor) that has occurred over the previous 10 years. Such remuneration shall accrue from day to day and be payable (in priority to payments to the Noteholders and Couponholders) down to the date when, all the Notes having become due for repayment, the repayment moneys and interest thereon to the date of repayment have been paid to the Principal Paying Agent or the Trustee PROVIDED THAT if upon due presentation of any Note or Coupon payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue. The Bank shall in addition pay to the Trustee the amount of any value added tax or similar tax chargeable in respect of its remuneration under these presents.

(B) In the event of the Trustee instituting proceedings for the winding-up of the Bank pursuant to Clause 8 or Condition 9 or considering it expedient or necessary or being requested by the Bank to undertake duties which the Trustee and the Bank agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents the Bank shall pay to the Trustee such additional remuneration as shall be agreed between them.

(C) In the event of the Trustee and the Bank failing to agree (in a case to which sub-clause (B) of this Clause applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents, or upon such additional remuneration, such matters shall be determined by a merchant bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Bank or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of the Law Society of England and Wales (the expenses involved in such nomination and the fees of such merchant bank being payable by the Bank) and the

determination of any such merchant bank shall be final and binding upon the Trustee and the Bank.

(D) The Bank shall also pay or discharge all costs, charges, liabilities and expenses properly incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, these presents, including but not limited to travelling expenses and any stamp and other taxes or duties paid by the Trustee in connection with any legal proceedings brought or contemplated by the Trustee against the Bank for enforcing any obligation under these presents, the Notes or the Coupons.

15. IT is expressly declared as follows:-

(A) The Trustee may in relation to these presents act on any report of the Auditors pursuant to Clause 3(E)(1)(ii) or the opinion or advice of, or information obtained from, any lawyer, valuer, banker, broker, accountant or other expert and shall not be responsible for any loss occasioned by so acting;

(B) Any such opinion, advice or information may be sent or obtained by letter, telegram, cablegram or telex and the Trustee shall not be liable for acting on any opinion, advice or information purporting to be conveyed by any such letter, telegram, cablegram or telex although the same shall contain some error or shall not be authentic;

(C) The Trustee shall not be bound to take any steps to ascertain whether the Bank is Solvent or whether there has occurred any Default or any event which with lapse of time would make the Bank Insolvent or would constitute a Default and, until it shall have actual knowledge or shall have express notice to the contrary, the Trustee shall be entitled to assume that the Bank is Solvent and that no such Default or event has occurred and that the Bank is performing all the obligations on its part contained in these presents and under the Notes and Coupons;

(D) The Trustee shall not be responsible for having acted upon any resolution purporting to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of such meeting or the passing of such resolution or that for any reason such resolution was not valid or binding upon the Noteholders or Couponholders;

(E) The Trustee shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any dealing, transaction, step or thing a certificate signed by any two Directors of the Bank as to any fact or matter upon which the Trustee may, in the exercise of any of its duties, powers, authorities and discretions hereunder, require to be satisfied or to have information to the effect that in the opinion of the persons so certifying any particular dealing, transaction, step or thing is expedient and the Trustee shall be in nowise bound to call for further evidence and shall not be responsible for any loss that may be occasioned by acting on any such certificate;

(F) The Trustee shall be at liberty to hold or to deposit these presents and any deeds or documents relating to these presents or to the Notes or Coupons in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute and the Trustee shall not be responsible for any loss incurred in connection with any such deposit and may pay all sums required to be paid on account or in respect of any such deposit;

(G) The Trustee shall, as regards all the powers, trusts, authorities and discretions vested in it by these presents or by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and shall be in nowise responsible for any loss, costs, damages, expenses or inconvenience which may result from the exercise or non-exercise thereof;

(H) The Trustee may, in the conduct of the trust business, instead of

acting personally, employ and pay an agent, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) and any trustee being a lawyer, banker, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or any partner of his or by his firm in connection with the trusts hereof and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with these presents including matters which might or should have been attended to in person by a trustee not being a lawyer, banker, broker or other professional person and to the Trustee shall not be responsible for any misconduct on the part of any such person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person;

(I) The Trustee shall not be liable to the Bank or any Noteholder or Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon purporting to be such and subsequently found to be forged or not authentic;

(J) The Trustee as between itself and the holders of the Notes and the Coupons shall have full power to determine all questions and doubts arising in relation to any of the provisions of these presents and every such determination made bona fide shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders;

(K) Any consent granted by the Trustee pursuant to these presents may be granted upon such terms and subject to such conditions (if any) as the Trustee may in its absolute discretion determine;

(L) The Trustee shall not be responsible for the application of the proceeds of the issue of the Notes by the Bank;

Provided nevertheless that nothing in these presents contained shall in any case in which the Trustee has failed to show the degree of care and

diligence required of it as trustee (having regard to the provisions of these presents conferring on the Trustee any powers, authorities or discretions) indemnify it against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties hereunder.

16. THE Trustee may, without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, but only if and in so far as in its opinion the respective interests of the Noteholders and the Couponholders shall not be materially prejudiced thereby, waive or authorise, on such terms and conditions as to it shall seem expedient, any breach or prospective breach by the Bank of any of the covenants or provisions contained in these presents or the Notes or Coupons or determine that any condition, event or act which constitutes or which would or might but for such determination constitute a Default shall not be treated as such for the purposes of these presents Provided always that the Trustee shall not exercise any powers conferred on it by this Clause in contravention of any express direction given by Extraordinary Resolution but no such direction shall affect any waiver or authorisation previously given.

17. THE Trustee may, whenever it thinks it expedient in the interests of the Noteholders delegate to any person or fluctuating body of persons all or any of the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents and any such delegation may be by power of attorney or in such other manner as the Trustee may think fit and may be made upon such terms and conditions (including power to sub-delegate) and subject to such regulations as the Trustee may think fit. The Trustee shall not be bound to supervise the proceedings or be in anywise responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. The Trustee shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Bank.

18. NO trustee hereof nor any subsidiary or holding company of any trustee hereof nor the subsidiary of such holding company nor any director or other

officer of any such company shall be precluded from underwriting, guaranteeing the subscription of or subscribing some or all of the Notes for a commission or other remuneration or from purchasing, holding, dealing in or disposing of the Notes or the Coupons or any of them or from acting as banker for the Bank or any subsidiary of it or from otherwise at any time contracting or entering into any financial or other transactions, including contracts of insurance, with the Bank or any of its subsidiaries or from being interested in any such contract or transaction and shall not be in anywise liable to account to the Bank or any of its subsidiaries or to the Noteholders or Couponholders for any profit made by it or him thereby or in connection therewith.

19. THE Trustee may from time to time and at any time without any consent or sanction of the Noteholders or the Couponholders concur with the Bank in making any alteration to the Conditions or the provisions of these presents or to the Notes or the Coupons if in the opinion of the Trustee such alteration:-

(i) is of a formal, minor or technical nature; or

(ii) is made to correct a manifest error; or

(iii) is not materially prejudicial to the interests of the Noteholders and/or the Couponholders.

Unless the Trustee otherwise agrees, any such amendment shall as soon as practicable thereafter be notified to the Noteholders in accordance with Condition 11 and shall be binding upon them and upon the Couponholders.

20. THE power to appoint new trustees hereof shall be vested in the Bank but a person proposed to be appointed must in the first place be approved by an Extraordinary Resolution of the Noteholders. A trust corporation may be sole trustee hereof but save as aforesaid there shall always be at least two trustees and one of such trustees shall be a trust corporation. The Noteholders shall have the power, exercisable by Extraordinary Resolution passed by the Noteholders, to remove any trustee or trustees for the time being hereof. Any trustee hereof may retire at any time on giving two

months' prior written notice to the Bank without assigning any reason therefor and without being responsible for any costs occasioned by such retirement.

21. WHENEVER there shall be more than two trustees hereof the majority of such trustees shall be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents Provided that a trust corporation shall be included in such majority.

22. (A) THE Bank shall procure that:-

(i) all Notes repaid;

(ii) all Notes purchased for its own account by or on behalf of the Bank or any subsidiary of the Bank other than in the ordinary course of business as a dealer in securities;

(iii) all Coupons paid in accordance with the Conditions;

(iv) all Notes which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 10; and

(v) all Coupons and Talons which, being mutilated or defaced, have been surrendered or replaced pursuant to Condition 10; and

(vi) all Talons exchanged for further Coupons;

shall forthwith be cancelled (together, in the case of (i), (ii) and (iv) aforesaid, with all unmatured Coupons attached thereto or delivered therewith) by or on behalf of the Bank and a certificate shall be given to the Trustee by or on behalf of the Bank as soon as possible and in any event within five months after the date of such repayment purchase or payment (as the case may be) stating in each case:-

(a) the aggregate principal amount paid in respect of Notes which have been repaid;

(b) the aggregate amounts of interest in respect of Coupons which have been paid;

(c) the serial numbers of such Notes;

(d) the total numbers by maturity date of such Coupons; and

(e) the serial numbers of those Notes (if any) which have been purchased as aforesaid and cancelled.

(f) the serial numbers and maturity date of such Talons.

The Trustee shall be entitled and bound to accept such certificate as conclusive evidence of repayment pro tanto of the Notes or payments of interest thereon respectively and of cancellation (as applicable) of the relative Notes and Coupons.

(B) The Bank shall procure that:-

(i) the Principal Paying Agent shall keep a full and complete record of all Notes and Coupons (other than serial numbers of Coupons other than those which have become void in accordance with the Conditions) and of their repayment, surrender, cancellation, payment or destruction (as the case may be) and of all replacement Notes or Coupons issued in substitution for lost, stolen, mutilated, defaced or destroyed Notes or Coupons in accordance with Condition 11;

(ii) the Principal Paying Agent shall in respect of the Coupons of each maturity retain until the expiry of six years after their Relevant Date either a list of all paid Coupons of that maturity or a record of the total number of Coupons of that maturity still remaining unpaid; and

(iii) such records and Coupons (if any) shall be made available to the Trustee at all reasonable times.

(C) Neither the Bank nor any of its subsidiaries shall purchase any Notes which do not have all unmatured Coupons and Coupons in respect of

Arrears of Interest relating thereto attached or surrendered therewith.

(D) References in this Clause to Coupons shall not include reference to Talons.

23. WHEREVER in these presents the Trustee is required or entitled to exercise a duty, power, authority or discretion by reference to the interests of the Noteholders, the Trustee shall assume that each holder of a Note is the holder of all Coupons appertaining to such Note. Neither the Trustee nor the Bank shall be required to give notice to the Couponholders for any purpose under these presents and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 11. In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed substitution under Clause 27 and those where the Trustee determines whether or not any material prejudice to the Noteholders may occur), the Trustee shall not have regard to the consequences of such exercise for individual Noteholders 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 exercise upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

24. (A) THE Trustee shall have power, without the consent of the Noteholders or the Couponholders, to agree to the substitution in place of the Bank (or of any previous substitute under this Clause) as the principal debtor hereunder any subsidiary or holding company of the Bank or any subsidiary of such holding company incorporated in any country in the world (hereinafter called "the Substituted Company") if:-

(i) a trust deed or an indenture is executed or some other form of undertaking is given by the Substituted Company to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of these presents and the Notes and the Coupons with any

consequential amendments which may be appropriate as fully as if the Substituted Company had been named in these presents and on the Notes and the Coupons as the principal debtor in place of the Bank (or of any previous substitute under this Clause);

(ii) the Bank and the Substituted Company comply with such other reasonable requirements as the Trustee may direct in the interests of the Noteholders;

(iii) (without prejudice to the generality of paragraphs (A)(i) and (A)(ii) hereof) where the Substituted Company is incorporated, domiciled or resident in a territory other than the United Kingdom, an undertaking or covenant shall be given by the Substituted Company in terms corresponding to the provisions of Condition 7 with the substitution for the references to the United Kingdom or any authority in the United Kingdom having power to tax of references to the territory or any authority therein having power to tax in which the Substituted Company is incorporated, domiciled or resident;

(iv) an unconditional and irrevocable guarantee is given by the Bank (on a conditional or subordinated basis as set out in Clauses 3(E) and 5 hereof) to the Trustee, in form and manner satisfactory to the Trustee of the payment of all moneys payable by the Substituted Company as such principal debtor for the avoidance of doubt, the Trustee at the date hereof making no admission that a guarantee so subordinated can be satisfactorily achieved);

(v) the Directors of the Substituted Company shall certify that the Substituted Company would be Solvent immediately after the time at which the said substitution is proposed to be effected (which certificate the Trustee may rely upon absolutely) the Trustee shall not have regard to the financial condition profits or prospects of the Substituted Company or compare the same with those of the Bank;

(vi) (without prejudice to the right of reliance under the immediately preceding sub-paragraph (v) hereof) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of

the Noteholders; and

(vii) (without prejudice to the generality of sub-paragraphs (i) and (ii) hereof) the Trustee may in the event of such substitution agree (without the consent of the Noteholders or Couponholders) to a change in the law governing these presents and/or the Notes and/or the Coupons provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders but the Trustee shall not have regard to the consequences of such change for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory and the Trustee shall not be entitled to require nor shall any Noteholder or Couponholder be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

(B) If the Substituted Company is a Banking Subsidiary the claims of the Noteholders and Couponholders shall be subordinated (if legally possible) to the rights of Senior Creditors (as defined in Clause 1, but with the substitution of references to "the Substituted Company" in place of references to "the Bank") and the right of repayment of any on-loan of the proceeds of the issue of the Notes by such Banking Subsidiary to the Bank shall be subordinated to at least the same extent.

(C) Any such agreement by the Trustee shall, if so expressed, operate to release the Bank or any previous Substituted Company as principal debtor from any or all of its obligations under the Notes, the Coupons and these presents. Not later than 14 days after the execution of any such documents as aforesaid and after compliance with the said requirements of the Trustee, the Trustee shall give notice thereof to the Noteholders in the manner provided in Condition 11.

(D) Upon the execution of such documents and compliance with the said requirements, the Substituted Company shall be deemed to be named in these presents and on the Notes and the Coupons as the principal debtor in place

of the Bank (or for any previous Substituted Company under this Clause) and these presents, the Notes and the Coupons shall be deemed to be amended in such manner as shall be necessary to give effect to the substitution and any references in these presents, in the Notes or in the Coupons to the Bank shall be deemed to be references to the Substituted Company.

25. (A) THE Trustee shall not be bound to institute any proceedings which it is permitted to institute by Clause 8 or the Conditions to enforce the performance of any of the provisions of these presents or of any of the Notes or Coupons unless (i) it shall have been so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding or if it shall have been so directed by an Extraordinary Resolution and (ii) it shall have been indemnified to its satisfaction.

(B) The right of Noteholders and Couponholders to take action against the Bank are limited as described in Clause 8 and Condition 9.

(C) If any money shall be paid by the Bank to the Trustee or any Noteholder or Couponholder at a time when as a consequence of Clause 3(E) the Bank was under no obligation to pay the same, such money shall not be recoverable by the Bank and the Bank shall have no right against the Trustee or any Noteholder or Couponholder in respect of such payment.

26. ANY notice or demand to the Bank or the Trustee or any approval or certificate of the Trustee required to be given, made or served for any purpose thereof shall be given, made or served by sending the same by prepaid post (first class if inland, airmail if overseas), telegram, cable or telex or by delivering the same by hand to the Bank or the Trustee, as the case may be, at its address shown in these presents or at such other address as shall have been notified (in accordance with this Clause) to the other parties hereto for the purposes of this Clause and any notice sent by post as provided in this Clause shall be deemed to have been given, made or served 48 hours (in the case of inland post) or 7 days (in the case of overseas post) after despatch and any notice sent by telegram, cable or telex as provided in this Clause shall be deemed to have been given, made or served at the time of despatch in the case of inland service or 24 hours thereafter in the case of international service.

27. THE powers conferred by these presents upon the Trustee shall be in addition to any powers which may from time to time be vested in it by general law or as the holder of any of the Notes.

28. THESE presents, the Notes and the Coupons shall be governed by and construed in accordance with the laws of England.

I N W I T N E S S whereof these presents have been executed by the parties hereto on the day and year first above written.

THE FIRST SCHEDULE above referred to

On the front:

FORM OF NOTE

*THIS NOTE HAS NOT BEEN, AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 OF THE UNITED STATES OF AMERICA. ANY OFFER OR SALE OF THIS NOTE PRIOR TO SEPTEMBER 18, 1988 IN THE UNITED STATES OF AMERICA (INCLUDING ITS POSSESSIONS, TERRITORIES AND ALL AREAS SUBJECT TO ITS JURISDICTION) OR TO NATIONALS OR RESIDENTS THEREOF (INCLUDING CORPORATIONS, PARTNERSHIPS OR OTHER ENTITIES CREATED IN OR ORGANISED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME) MAY CONSTITUTE A VIOLATION OF THE LAWS OF THE UNITED STATES OF AMERICA UNLESS SUCH OFFER OR SALE IS MADE IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF THE SAID ACT OR PURSUANT TO AN EXEMPTION THEREFROM. SPECIAL RESTRICTIONS APPLY TO THE TRANSFER OF THIS SECURITY PRIOR TO SEPTEMBER 18, 1988.

No.....

U.S.\$10,000

MIDLAND BANK plc
(Incorporated with limited liability in England)

U.S.\$500,000,000 UNDATED FLOATING RATE PRIMARY CAPITAL NOTES

This Note is one of a duly authorised issue of U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes (the "Notes") in the aggregate principal amount of U.S.\$500,000,000 in bearer form in the denomination of U.S.\$10,000 each with coupons attached. The Notes are issued pursuant to Resolutions of meetings of duly authorised committees of the Directors of Midland Bank plc (the "Bank") passed on 15th and 29th August, 1985 and constituted by a Trust Deed dated 16th September, 1985 made between the Bank and The Law Debenture Trust Corporation p.l.c. as Trustee and are subject to and have the benefit of such Trust Deed.

THIS IS TO CERTIFY that the Bank will pay to the bearer on such date as the principal sum hereinafter mentioned may become repayable in accordance with the Terms and Conditions endorsed hereon (the "Conditions"), upon presentation and surrender of this Note, the principal sum of

U.S.\$10,000
(Ten thousand United States dollars)

except in the event of the winding up in England of the Bank, in which event the bearer's entitlement shall be as set out in Condition 9(b) endorsed hereon.

Interest will be payable (subject in respect of Interest Periods prior to September 1995 to a minimum rate of 5 per cent. per annum) at rates determined in accordance with the Conditions on the Compulsory Interest

Payment Dates and otherwise as specified in the Conditions, subject to and in accordance with the Conditions.

AS WITNESS whereof the Bank has caused this Note to be sealed and the Coupons appertaining thereto to be signed manually or in facsimile on its behalf.

Securities Seal

*To be endorsed on Notes issued to any branch of a United States bank located outside the United States (as defined in the temporary global Note) which purchases them as part of the initial distribution of the Notes unless an opinion of United States counsel (satisfactory to the Bank) is delivered to the Bank to the effect that the legend need not be included on the Notes. This legend may not be removed prior to September 18, 1988, except as provided in a representation letter delivered by such branch.

On the back:

TERMS AND CONDITIONS OF THE NOTES

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

1. Form, Denomination and Transfer

The 50.000 Notes are in bearer form serially numbered and in the denomination of U.S.\$10.000 each with coupons and a talon for further coupons (together "Coupons") attached. Title to the Notes and the Coupons appertaining thereto will pass by delivery. The bearer of any Note and, subject to Condition 6, the bearer of any Coupon shall be deemed to be and shall be treated as the absolute owner thereof for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone or any notice of previous loss or theft thereof) and for all other purposes, whether or not such Note or Coupon shall be overdue.

2. Status and Subordination

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

In the event of the winding up of the Bank in England, the Notes shall be treated as if at the close of business on the business day preceding the commencement of the winding up of the Bank the principal amount payable in respect of the Notes together with Arrears of Interest and interest accrued in the current Interest Period had been converted into preference shares of

£1 each in the capital of the Bank at the rate of exchange ruling on such preceding business day according to the terms set out in Condition 9.

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

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

(b) Period of Accrual of Interest

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

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

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

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

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

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

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

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

(i) not more than 14 nor less than 7 days prior to any Optional Interest Payment Date on which it elects not to make any payment of interest of such election; and

(ii) of any date when the Arrears of Interest shall have become payable.

(d) Rate of Interest

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

(i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date") the Agent Bank will request the principal London offices of the Reference Banks (as described in (h) below) to provide the Agent Bank with their respective offered quotations (the "offered rates") to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for that Interest Period shall, subject to (v) below, be $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest $\frac{1}{16}$ per cent.) of the offered rates of three out of five quoting Reference Banks (excluding the highest and lowest (or, in either case, if more than one, then one only of them) of the offered rates of all the Reference Banks);

(ii) if on any Interest Determination Date four only of the Reference Banks provide such quotations, the Rate of Interest for the relevant

Interest Period shall, subject to (v) below, be determined (in accordance with (i) above) on the basis of the offered rates of two out of the four quoting Reference Banks (excluding as aforesaid);

(iii) if on any Interest Determination Date three or two only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall, subject to (v) below, be determined (in accordance with (i) above) on the basis of the offered rates of all the quoting Reference Banks (but without excluding as aforesaid);

(iv) if, on any Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such offered quotations, the Rate of Interest for the relevant Interest Period shall, subject to (v) below, be whichever is the higher of:

(A) the Rate of Interest in effect for the last preceding Interest Period to which (i), (ii) or (iii) above shall have applied; and

(B) (i) a rate per annum which the Agent Bank determines as being $\frac{1}{4}$ per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest 1/16 per cent.) of the rates, as communicated to and at the request of the Agent Bank by or on behalf of the Reference Banks or any two or more of them (if such only provide quotations), at which such Reference Banks are offered, as at 11.00 a.m. (New York City time) on the relevant Interest Determination Date, by leading banks in New York City, U.S. dollar deposits for the relevant Interest Period, or (ii) if only one or none of the Reference Banks provides the Agent Bank with such offered rates, $\frac{1}{4}$ per cent. per annum above the arithmetic average of the lowest lending rates for U.S. dollar deposits which leading banks in New York City, selected after consultation with the Bank by the Agent Bank, quote on the relevant Interest Determination Date for the relevant Interest Period to leading banks which have their head offices in Europe; Provided that if the banks selected as aforesaid by the Agent Bank are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (A) above; and

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

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

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

(f) Publication of Rate and Amount of Interest

The Agent Bank will cause the Rate of Interest and the Amount of Interest

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

(g) Determination or Calculation by Trustee

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

(h) Agent Bank and Reference Banks

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

(i) Certificates to be final

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

5. Repayment

(a) Repayment

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

(b) Repayment for Taxation Reasons

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

(c) Repayment at the Option of the Bank

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

(d) Drawings

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

(e) Purchases

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

(f) Cancellation

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

6. Payments

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

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

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

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

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

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

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

7. Taxation

All repayments of principal and payments of interest by the Bank in respect

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

(i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or

(ii) in the United Kingdom, unless it is proved to the satisfaction of the Paying Agent to whom the same is presented that at the time of presentation the person entitled to the interest is the beneficial owner of the Note and is not resident in the United Kingdom; or

(iii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment after expiry of such 30 day period.

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

8. Prescription

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

9. Enforcement

(a) If default is made for a period of 7 days or more in the repayment of any principal due on the Notes or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes or any of them then the Trustee may, in order to enforce payment, at its discretion and without further notice institute proceedings for the winding up of the Bank in England provided that it shall not be such a default to withhold or

refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, or (ii) (subject as provided in the Trust Deed), in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee, as to such validity or applicability.

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

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

Where

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

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

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

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

(c) The Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding up of the Bank in England to enforce any obligation, condition or provision binding on the Bank under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal moneys or interest in respect of the Notes or the Coupons) provided that the Bank shall not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Bank be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. The Trustee may only institute proceedings for the winding up of the Bank to enforce the obligations above referred to in this paragraph if a default by the Bank thereunder is not remedied to the satisfaction of the Trustee within 60 days (or such longer period as the Trustee may permit) after notice of such default has been given to the Bank by the Trustee requiring such default to be remedied.

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

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

10. Replacement of Notes and Coupons

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

11. Notices

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

12. Meetings of Noteholders; Modification; Waiver; Substitution

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

prejudicial to the interests of the Noteholders. Any such modification or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter. Subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, the Trustee shall also agree, subject to the Notes and Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, and subject to the basis on which the Notes (together with Arrears of Interest and interest accrued in the current Interest Period) will be treated as having been converted into preference shares in the event of the winding up of the Bank in England not being altered in any way which in the opinion of the Trustee is materially prejudicial to the interests of the Noteholders, to the substitution of any subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons provided that the claims of the Noteholders and Couponholders shall, in the case of the substitution for the Bank of a banking subsidiary of the Bank, be subordinated (if legally possible in the manner mutatis mutandis to the provisions applicable to the Notes and the Coupons) to the rights of the depositors and other creditors (other than creditors subordinated on a basis equivalent to that mentioned in Condition 2) of that subsidiary and the right of repayment of any on-loan of the proceeds of the issue of the Notes by such subsidiary to the Bank shall be subordinated to at least the same extent. In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, determination or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

13. Indemnification of the Trustee

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

14. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and shall be construed in accordance with English law. In the case of a substitution under Condition 12 the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders but the Trustee shall not have regard to the consequences of such change for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory

and the Trustee shall not be entitled to require nor shall any Noteholder or Couponholder be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 7.

PRINCIPAL PAYING AGENT

Citibank, N.A.,
336 Strand,
London WC2R 1HB

PAYING AGENTS

Citibank, N.A.,
Avenue de Tervuren 249,
B-1150 Brussels

Citicorp Bank
(Switzerland),
Bahnhof Strasse 63,
CH-8021 Zurich

Citicorp Bank
(Luxembourg) S.A.,
16 Avenue Marie Therese,
Luxembourg

and/or such other or further agents and/or specified offices as may from time to time be duly appointed by the Bank and notified to the Noteholders.

COUPON
(attaching to Note)

On the front:

No.....

MIDLAND BANK plc

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

Interest Payment Date falling in 19 .

This Coupon is payable to bearer (subject to the Terms and Conditions endorsed on the Note to which this Coupon appertains, which shall be binding upon the holder of this Coupon whether or not such Coupon is for the time being attached to such Note) at the offices of the Paying Agents set out on the reverse hereof (and/or any other or further paying agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

Under such Terms and Conditions such Note may, in certain circumstances, become due and payable or be purchased and cancelled before the maturity date of this Coupon. In any such event, this Coupon shall become void and no payment shall be made in respect thereof.

No.

Authorised Signatory

FORM OF TALON

[On the front]

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

This Talon may be exchanged on or after the Interest Payment Date falling in [] for Coupons in respect of the immediately subsequent [] Interest Payment Dates together with a further Talon giving entitlement to further Coupons and a further Talon (subject to the Terms and Conditions endorsed on the Note to which this Talon appertains, which shall be binding upon the holder of this Talon whether or not such Talon is for the time being attached to such Note) at the offices of the Paying Agents set out on the reverse hereof (and/or any other or further paying agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

Under such Terms and Conditions such Note may, in certain circumstances, become due and payable or be purchased and cancelled before this Talon is exchangeable. In any such event, this Talon shall become void and no exchange shall be made therefor.

Authorised Signatory

[on the back of the Coupon and the Talon]

PRINCIPAL PAYING AGENT

Citibank, N.A.,
336 Strand,
London WC2R 1HB

PAYING AGENTS

Citibank, N.A.,
Avenue de Tervuren 249,
B-1150 Brussels

Citicorp Bank
(Switzerland),
Bahnhof Strasse 63,
CH-8021 Zurich

Citicorp Bank
(Luxembourg) S.A.,
16 Avenue Marie Therese,
Luxembourg

and/or such other or further agents and/or specified offices as may from time to time be duly appointed by the Bank and notified to the Noteholders.

THE SECOND SCHEDULE above referred to

PROVISIONS CONCERNING MEETINGS OF THE NOTEHOLDERS

1. (A) As used in this Schedule, the following expressions shall have the following meanings unless the context otherwise requires:-

(1) "voting certificate" shall mean a certificate in the English language issued by the Trustee or a Paying Agent and dated, in which it is stated:-

(a) that on the date thereof Notes (not being Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjournment thereof) bearing specified serial numbers were deposited with the Trustee or such Paying Agent (or to its order at a bank or other depository) and that the Notes will not be released until the first to occur of:-

(i) the conclusion of the meeting specified in such certificate or any adjournment thereof; and

(ii) the surrender of the certificate to the Trustee or the Paying Agent which issued the same; and

(b) that the bearer thereof is entitled to attend and vote at such meeting or any adjournment thereof in respect of the Notes represented by such certificate;

(2) "block voting instruction" shall mean a document in the English language issued by the Trustee or a Paying Agent and dated, in which:-

(a) it is certified that Notes (not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction or any adjournment thereof) have been deposited with the Trustee or such Paying Agent (or to its order at a bank or other depository) and that no such Notes will be released until the first to occur of:-

(i) the conclusion of the meeting specified in such document or any adjournment thereof; and

(ii) the surrender, not less than 72 hours before the time for which such meeting or adjournment thereof is convened of the receipt for each such deposited Note which is to be released to the Trustee or the Paying Agent which issued such receipt, coupled with notice thereof being given by the Trustee or such Paying Agent to the Bank and, if such notice is not given by the Trustee, to the Trustee;

(b) it is certified that such depositor of such Notes or a duly authorised agent on his or its behalf has instructed the Trustee or such Paying Agent that the vote(s) attributable to his or its Notes so deposited should be cast in a particular way in relation to any resolution or resolutions the terms of which were set out in the notice convening the meeting to be put to such meetings or any adjournment thereof and that all such instructions are during

the period of 48 hours prior to the time for which such meeting or adjournment meeting is convened, neither revocable nor subject to amendment;

(c) the total number and the serial numbers of the Notes so deposited are listed, distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(d) any person named in such document (hereinafter called a "proxy") is authorised and instructed by the Trustee or such Paying Agent to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in (c) above as set out in such document.

(B) Voting certificates and block voting instructions shall be valid for so long as the relevant Notes shall not be released pursuant to subparagraph (A) hereof and during the validity thereof the holder of any sub-voting certificate or (as the case may be) the proxy named in any such block voting instruction shall, for all purposes in connection with any meeting of Noteholders, be deemed to be the holder of the Notes to which such voting certificate or block voting instructions relates and the Trustee or the Paying Agent with which (or to the order of which) such Notes have been deposited shall nevertheless be deemed for such purposes not to be the holder of those Notes.

2. The Trustee or the Bank at any time may and the Trustee (subject to its being indemnified to its satisfaction against all costs and expenses thereby occasioned) upon a request in writing of Noteholders holding not less than one-tenth of the principal amount of the Notes for the time being outstanding shall convene a meeting of the Noteholders. Whenever the Bank is about to convene any such meeting it shall forthwith give notice in writing to the Trustee of the day, time and place thereof and of the nature of the business to be transacted thereat. Every meeting shall be held at such place as the Trustee shall agree.

3. At least 21 days' notice (exclusive of the day on which the notice is given and the day on which the meeting is to be held) specifying the day, time and place of the meeting shall be given to the Noteholders. A copy of the notice shall be given to the Trustee unless the meeting shall be convened by the Trustee and a copy of notice shall be given to the Bank unless the meeting shall be convened by the Bank. Such notice shall specify the general nature of the business to be transacted at the meeting thereby convened and shall be given in the manner provided in these presents but (except in the case of an Extraordinary Resolution) it shall not be necessary to specify in such notice the form of any resolution to be proposed and shall include statement to the effect that the Notes may be deposited with (or to the order of) the Trustee or a Paying Agent for the purpose of obtaining voting certificates or appointing proxies until 48 hours before the time fixed for the meeting but not thereafter.

4. A person (who may, but need not, be a Noteholder) nominated in writing by the Trustee shall be entitled to take the chair at every such meeting but if no such nomination is made or if at any meeting the person nominated

shall not be present within 15 minutes after the time appointed for the holding of such meeting the Noteholders present shall choose one of their number to be chairman and failing such choice the Bank may appoint a chairman.

5. The Trustee and its legal advisers and any director or duly authorised representative of a corporation being a trustee hereof and any Director or other officer and legal advisers of the Bank and any other person authorised in that behalf by the Bank or the Trustee may attend and speak at any such meeting. Save as aforesaid no person shall be entitled to attend or vote at any meeting of the Noteholders or to join with others in requesting the convening of such a meeting unless he produces his appointment as a representative or a Note or Notes of which he is the holder or a voting certificate or is a proxy Provided that no Note for the time being held beneficially by or on behalf of the Bank or any subsidiary of the Bank shall confer the right to vote.

6. At any such meeting two or more persons holding one or more Notes or voting certificates being or representing in the aggregate one-twentieth of the principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for the passing of an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate a clear majority of the principal amount of the Notes for the time being outstanding.

7. If within 20 minutes from the time appointed for any meeting of Noteholders a quorum is not present, the meeting shall, if convened upon the request of Noteholders be dissolved. In any other case it shall stand adjourned to such day, time and place, being not less than 28 nor more than 42 days thereafter, as may be appointed by the chairman and at such adjourned meeting two persons holding Notes or voting certificates or being proxies (whatever the principal amount of the Notes held or represented by them) shall form a quorum and have power to pass any Resolution other than an Extraordinary Resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place; for the purpose of passing an Extraordinary Resolution at an adjourned meeting the quorum necessary shall be two or more persons holding or representing in the aggregate not less than one-third of the principal amount of the Notes for the time being outstanding.

8. At least 14 days' notice (exclusive of the day on which the notice is given and the day on which the meeting is to be held) of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the manner provided by these presents and such notice shall state the requisite quorum at the adjourned meeting.

9. The chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Subject as provided in paragraph 8 of this Schedule it shall not be necessary to give to the Noteholders notice of an adjourned meeting.

10. Every question submitted to a meeting of Noteholders shall be decided in the first instance by a show of hands and in the case of an equality of votes the chairman shall (both on a show of hands and on a poll) have a casting vote in addition to the vote or votes (if any) to which he may be entitled as the holder of a Note or voting certificate or as proxy.

11. At any meeting of Noteholders unless (before or on the declaration of the result of a show of hands) a poll is demanded by the chairman or by one or more persons holding one or more Notes or voting certificates or being proxies being or representing not less than one-hundredth part of the principal amount of the Notes then outstanding, a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of such fact.

12. If at any such meeting a poll is so demanded, it shall be taken in such manner and either at once or after an adjournment as the chairman shall direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

13. Any poll demanded at any such meeting on the election of a chairman or any question of adjournment shall be taken at the meeting without adjournment.

14. Subject as provided in paragraph 5 of this Schedule, at any such meeting (a) on a show of hands every person who is present and produces a Note or voting certificate or is a proxy shall have one vote and (b) on a poll every such person who is so present shall have one vote in respect of each Note so produced or represented by the voting certificate so produced or in respect of which he is proxy. Any such person who is entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxy named in any block voting instructions need not be a Noteholder.

16. Each block voting instruction together (if so required by the Trustee) with proof satisfactory to the Trustee of its due execution, shall be deposited at the registered office of the Bank (or at such other place as the Trustee shall approve) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the proxy named in the block voting instruction proposes to vote and in default the block voting instruction shall not be treated as valid unless the chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A notarially certified copy of each such block voting instruction and satisfactory proof as aforesaid (if applicable) shall if required by the Trustee be produced by the proxy at the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of, or the authority of the proxy named in, any such block voting instruction.

17. Any vote given in accordance with the terms of a block voting instruction shall be valid notwithstanding the previous revocation or amendment of the block voting instruction or of any of the Noteholders' instructions pursuant to which it was executed, provided that no intimation

in writing of such revocation or amendment shall have been received from the Trustee or the relevant Paying Agent or by the chairman of the meeting, in each case not less than 48 hours before the commencement of the meeting or adjourned meeting at which the block voting instruction is used.

18. The Noteholders shall in addition to all other powers but subject as hereinafter mentioned have the following powers exercisable by Extraordinary Resolution namely:-

(a) power to sanction any proposals of the Bank for the modification, variation, abrogation or compromise of, or any arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Bank whether such rights shall arise under these presents or otherwise;

(b) power to sanction any exchange proposed by the Bank of the Notes or the conversion of the Notes into shares, stock, bonds, notes, debentures or other securities of the Bank or any other company formed or to be formed (with or without a cash element in the consideration);

(c) power to assent to any modification of the provisions contained in these presents, the Notes or the Coupons which shall be proposed by the Bank or the Trustee;

(d) power to approve any person proposed to be appointed a new trustee under the Trust Deed and power to remove any trustee or trustees for the time being hereof;

(e) power to authorise the Trustee to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(f) power to agree to the release or exoneration of any trustee hereof from any liability in respect of anything done or omitted to be done by such trustee before the giving of such release or exoneration and for which such trustee may have become responsible under these presents;

(g) power to give any sanction, direction or request which under the provisions of these presents or the Notes is required to be given by Extraordinary Resolution;

(h) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall be capable of being effected only after having been approved by Extraordinary Resolution) namely:-

(i) modification of the due dates of payment of interest in respect of the Notes;

(ii) reduction or cancellation of the principal payable on the Notes or any of them;

(iii) modification of the method of calculating the amount payable in respect of any Coupons or compulsory conversion of Notes or Coupons into any other security other than pursuant to Clause 24;

(iv) alteration of the currency in which payments under the Notes and Coupons are to be made;

(v) modification of the provisions of these presents and the Conditions pertaining to the Preference Shares;

(vi) alteration of the majority required to pass an Extraordinary Resolution;

(vii) alteration of this proviso;

the quorum shall be one or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two-thirds of the principal amount of the Notes for the time being outstanding. The Trustee and its lawyers and any director officer or employee of a corporation being a trustee hereof and any director or officer of the Bank and their lawyers and any other person authorised in that behalf by the Trustee may attend any meeting.

19. An Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents shall be binding upon all the Noteholders whether present or not at such meeting and upon all the Couponholders, and each of the Noteholders and Couponholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justified the passing thereof, the intention being that it shall rest with the meeting to determine without appeal whether or not the circumstances justify the passing of such resolution.

20. The expression "Extraordinary Resolution" when used in this Schedule means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions herein contained by a majority consisting of not less than three-quarters of the votes cast thereon.

21. Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of the Noteholders shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted thereat to have been duly passed and transacted.

22. Subject to the provisions contained in this Schedule, the Trustee may without the consent of the Noteholders or the Couponholders prescribe such further regulations regarding the holding of meetings of Noteholders and attendance and voting thereat as it may in its discretion determine.

THIRD SCHEDULE above referred to

(FORM OF TEMPORARY GLOBAL NOTE)

MIDLAND BANK plc
(Incorporated with limited liability in England)

U.S.\$500,000,000 UNDATED FLOATING RATE PRIMARY CAPITAL NOTES

NEITHER THIS TEMPORARY GLOBAL NOTE NOR THE NOTES (AS DEFINED BELOW) HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT OF 1933 OF THE UNITED STATES OF AMERICA. ANY OFFER OR SALE OF THIS NOTE IN THE UNITED STATES OF AMERICA (INCLUDING ITS POSSESSIONS, TERRITORIES AND ALL AREAS SUBJECT TO ITS JURISDICTION) OR TO NATIONALS OR RESIDENTS THEREOF (INCLUDING CORPORATIONS, PARTNERSHIPS OR OTHER ENTITIES CREATED IN OR ORGANISED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME) MAY CONSTITUTE A VIOLATION OF THE LAWS OF THE UNITED STATES OF AMERICA UNLESS SUCH OFFER OR SALE IS MADE IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF THE SAID ACT OR PURSUANT TO AN EXEMPTION THEREFROM.

This Global Note is a temporary Global Note (the "temporary Global Note") without interest coupons in respect of a duly authorised issue of Notes (the "Notes") of Midland Bank plc (the "Bank"), designated as specified in the title hereof, is exchangeable in whole or in part for definitive Notes (the "Definitive Notes") in the denomination of U.S.\$10,000 each to be issued as bearer Notes with coupons (the "Coupons") and one talon for further Coupons ("Talon") attached on and subject to the terms set out below, and, except as specified below, is entitled to the same benefits and conditions as are specified in the Definitive Notes as if they had been issued on the date hereof. This temporary Global Note and the Definitive Notes are constituted by a Trust Deed (the "Trust Deed") dated 16th September, 1985 made between the Bank and The Law Debenture Trust Corporation p.l.c. ("the Trustee") and has the benefit of a Paying Agency Agreement dated 16th September, 1985 ("the Paying Agency Agreement") made between the Bank and Citibank, N.A. of 336 Strand, London WC2R 1HB as principal Paying Agent and others as Paying Agents and of an Agent Bank Agreement dated 16th September, 1985 (the "Agent Bank Agreement") made between the Bank and Citibank, N.A.. The Trustee shall act as trustee for the bearer for the time being of this temporary Global Note in accordance with the provisions of the Trust Deed and this temporary Global Note is issued subject to and with the benefit of the terms and conditions of the Trust Deed including the terms and conditions to be endorsed on the Definitive Notes (the "Conditions").

Subject as provided below, the Bank hereby promises to pay to bearer on presentation and surrender hereof the principal sum of FIVE HUNDRED MILLION UNITED STATES DOLLARS (U.S.\$500,000,000) on such date as the said principal sum may become repayable in accordance with the Conditions (except in the event of the winding-up in England of the Bank, in which case the bearer's entitlement shall be as set out in Condition 9(b) and to pay interest on the said principal sum at rates determined in accordance with the Conditions on the Compulsory Interest Payment Dates and otherwise

as specified in the Conditions, subject to and in accordance with the Conditions until payment of the said principal sum has been made or duly provided for, and in the case of interest due on or before maturity, only upon presentation and surrender of the Coupons to be attached to the relevant Definitive Note or Notes as such Coupons shall severally mature as hereinafter and in the Trust Deed provided. Such payments shall be made in the manner provided in the Trust Deed and the Definitive Notes.

In the event that one or more Interest Payment Dates occurs before the Exchange Date (as defined below) interest due on such date will be paid to CEDEL S.A. and Euro-clear Clearance System plc ("Euro-clear") against presentation of the relevant temporary Global Note and CEDEL S.A. and Morgan Guaranty Trust Company of New York, Brussels office, as operator (the "Euro-clear Operator") of Euro-clear shall credit to the account of the person entitled to a Definitive Note (as shown by its records) the amount of interest due on such Note on the relevant Interest Payment Date only upon receipt in each case of a certificate from such person in substantially the form below (being dated no earlier than 15 days prior to the relevant Interest Payment Date).

On and after the Exchange Date, upon the request of the Euro-clear Operator or CEDEL S.A., as the case may be, acting on behalf of a beneficial owner of a portion of this temporary Global Note and upon the delivery to the Bank or its agent of a certificate or certificates of the Euro-clear Operator or CEDEL S.A. substantially in the form set forth below, each appropriately completed and signed and dated not earlier than the Exchange Date, the Principal Paying Agent shall at its office in London (or such other place as the Bank and the Trustee may agree) deliver in full or partial exchange for this temporary Global Note, Definitive Notes in an aggregate principal amount (being not in excess of the aggregate principal amount of this temporary Global Note) equal to the aggregate principal amount specified in such certificate or certificates.

The Definitive Notes so delivered shall be in bearer form with Coupons and one Talon attached serially numbered and in denominations of U.S.\$10,000 each.

" CERTIFICATE
MIDLAND BANK plc
U.S. \$500,000,000
Undated Floating Rate Primary Capital Notes

This is to certify that (i) we have received from each of the persons appearing in our records as entitled (subject to the provisions of the temporary Global Note) to any part of the U.S.\$[] principal amount of the temporary Global Note to be exchanged (the "Qualified Account Holders") a certificate substantially in the form attached hereto (as set out below) and (ii) we are not exchanging any portion of such temporary Global Note excepted in such certificates.

We further certify that as of the date hereof we have not received any notification from any of our Qualified Account Holders to the effect that certification made by any such Qualified Account Holder (in respect of any part of the said principal amount submitted for exchange) was no longer

true and cannot be relied upon as of the date hereof.

[Morgan Guaranty Trust Company of New York,
Brussels office as operator of Euro-clear
Clearance System plc]
[CEDEL S.A.]

By _____

Dated: * _____

* To be dated not earlier than the Exchange Date"

The delivery by the Euro-clear Operator or CEDEL S.A. or any such certification shall be conclusive evidence in favour of the Bank, its agents for the exchange of this temporary Global Note and the Trustee that a corresponding certificate or corresponding certificates in the form referred to below has or have been delivered to the Euro-clear Operator to CEDEL S.A.

A beneficial owner of a portion of this temporary Global Note desiring to exchange his beneficial interest therein (or any portion thereof) for Definitive Notes shall request the Euro-clear Operator or CEDEL S.A., as the case may be, to make such exchange on his behalf and shall deliver to the Euro-clear Operator or CEDEL S.A. a certificate, appropriately completed and signed and dated not earlier than the Exchange Date substantially in the following form (copies of which certificate will be available at the offices of the Euro-clear Operator in Brussels, CEDEL S.A. in Luxembourg and each of the Paying Agents):

"ACCOUNT HOLDER'S CERTIFICATE
MIDLAND BANK plc
U.S.\$500,000,000
Undated Floating Rate Primary Capital Notes

This is to certify as of [_____], except as set forth below,**(a) that no part of the interest in the above Notes then appearing in your books as being held for our account was beneficially owned by any U.S. person or** (b) that such interest was held by a branch of a United States bank located outside the United States which has represented and agreed to the Managers of the issue of the Notes in the form of certificate required by them (a copy of which is attached) which includes, inter alia, that it has acquired the Notes purchased by it for its own account and not with a view to any distribution or other disposition thereof.

**This certificate does not relate to U.S.\$[_____] of such interest in the above Notes in respect of which we are not able to certify and as to which we understand exchange and delivery of Definitive Notes cannot be made until we do so certify.

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

subject to United States federal income taxation regardless of the source of its income).

**[If Certificate is presented on or before the Exchange Date (but in no event earlier than the 15th day prior to the Exchange Date)]. We agree to notify you by telex on or before _____ [the date determined by Samuel Montagu & Co. Limited to be the Exchange Date] if the above certification will not also be true with respect to the interest in the above Notes then appearing in your records as being held for our account on the date on which the Principal Paying Agent makes the exchange relating to our interest in the above Notes, and in the absence of any such notification, it may be assumed that this certificate applies as of such date.

**[If Certificate is presented after the Exchange Date] We undertake to present this certificate promptly to you so that the certification contained herein as at the date of its delivery to you remains correct and may accordingly be relied upon by you as at the date when you present your certificate with respect to our interest in the above Notes then appearing in your records as being held for our account. We understand that you will present your certificate in reliance upon this certificate within 7 days of the delivery of this certificate to you and we undertake to notify you if the above certification ceases to be true within such period.

We understand that this certificate is required in connection with the securities law of the United States.

If administrative or legal proceedings are commenced in connection with which this certificate is or would be relevant, we irrevocably authorise you to produce this certificate to any interested party in such proceedings.

* Dated

By: _____

As, or as agent for, the beneficial owner(s) of the above Notes to which this certificate relates.

* To be dated no earlier than the date 15 days prior to the Exchange Date.

** Delete if not applicable."

Such exchange shall be made free of charge to the bearer and the beneficial owners of the temporary Global Note and to the holders and the beneficial owners of the Definitive Notes issued in exchange therefor, except that a person receiving Definitive Notes must bear the cost of insurance, postage, transportation and the like in the event that such person does not receive such Definitive Notes in person at the office of the Principal Paying Agent specified above.

Upon any exchange of a part of this temporary Global Note for Definitive Notes, the portion of the principal amount hereof so exchanged shall be endorsed by or on behalf of the Depositary on the Schedule hereto, whereupon the principal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed. Until so exchanged in full, this temporary Global Note shall in all respects be entitled to the same benefits under the Trust Deed as Definitive Notes delivered upon exchange

thereunder, except that neither the bearer nor the beneficial owners of this temporary Global Note shall be entitled to receive payment of interest hereon (unless on due presentation of this temporary Global Note for exchange, delivery of the appropriate number of Definitive Notes in bearer form (together with the Coupons relating thereto) is improperly withheld or refused).

For the purposes hereof, "Exchange Date" shall mean the date not earlier than the date 90 days after the date of the completion of the distribution of the Notes, as determined by Samuel Montagu & Co. Limited, who will on the date of such completion so advise the Bank, Euro-clear, CEDEL S.A. and the Trustee in writing by telex with confirmation by mail.

This temporary Global Note is subject to all the terms and conditions to be endorsed on the Definitive Notes and the provisions contained in the Trust Deed.

The Trustee and any Paying Agent may deem and treat the bearer hereof as the absolute owner of this temporary Global Note, notwithstanding any notation of ownership or other writing hereon, for the purpose of receiving payment and for all other purposes, and neither the Bank, the Trustee nor any Paying Agent shall be affected by any notice to the contrary. All such payments so made to any such bearer shall be valid and, to the extent of the sum so paid, effective to satisfy and discharge the liability for the moneys payable hereon and on the relative number of the Definitive Notes.

This temporary Global Note shall be construed in accordance with and governed by English law.

IN WITNESS whereof the Bank has caused this Temporary Global Note to be executed manually on its behalf by two Authorised Signatories.

ISSUED in London 18th September, 1985.

THE COMMON SEAL of MIDLAND BANK)
plc was hereunto affixed in the)
presence of:-)

Authorised
Signatory

Authorised
Counter-Signatory

THE FOURTH SCHEDULE above referred to

Summary of rights attaching to the deemed Preference Shares

The Preference Shares shall carry the following rights and be subject to the following restrictions:-

(A) As regards capital

The right in a winding up of the Bank, in priority to any payment in respect of the Ordinary Shares of the Bank, to payment of arrears of dividend (whether earned or declared or not) down to the date of repayment and, in priority to any such repayment in respect of all the issued shares in the capital of the Bank other than these Preference Shares, to repayment at par of the capital paid up thereon but shall not be entitled to any further participation in the assets of the Bank.

(B) As regards voting

The holders of the Preference Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Bank.

(C) As regards dividend

The right to be paid out of the distributable profits of the Bank available for dividend and resolved to be distributed in respect of any financial year of the Bank, in priority to any dividend payable in respect of Ordinary Shares of the Bank a cumulative preference dividend exclusive of any associated tax credit thereon calculated in accordance with the provisions set out in paragraphs (ii) to (v) below but shall not be entitled to any further participation in profits.

(i) In the succeeding paragraphs the following expressions have the meanings respectively assigned to them:-

"Dividend Payment Date" means the date which falls six calendar months after the preceding Dividend Payment Date or, in the case of the first Dividend Payment Date, six calendar months after the Issue Date. If any Dividend 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 Dividend Payment Date shall be the immediately preceding business day and each subsequent Dividend Payment Date shall be the last business day of the sixth calendar month after the calendar month in which the preceding Dividend Payment Date shall have fallen.

"Dividend Period" means the period from the Issue Date to the first Dividend Payment Date and each period thereafter between successive Dividend Payment Dates.

"business day" shall mean a day on which banks are open for business in London.

"Issue Date" means the date on which the Notes are treated as having been converted into Preference Shares.

(ii) The rate of dividend for a Dividend Period from time to time payable in respect of the Preference Shares (which shall be payable on the aggregate of the nominal amount thereof and any premium for the time being paid thereon) (the "Rate of Dividend") shall be determined by the Agent Bank (as described in paragraph (iii) below) on the basis of the following provisions:-

(aa) on the Dividend Payment Date the Agent Bank will request the principal London offices of the Reference Banks to provide the Agent Bank with their respective offered quotations (the Offered rates) to leading banks for sterling deposits in the London inter-bank market for such Dividend Period as at 11.00 a.m. on the Dividend Payment Date in question. The Rate of Dividend for that Dividend Period shall, subject to (ee) below, be 1/4 per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest 1/16 per cent.) of the offered rates of three out of the 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);

(bb) if on any Dividend Payment Date four only of the Reference Banks provide such quotations, the Rate of Dividend for the relevant Dividend Period shall, subject to (ee) below, be determined (in accordance with (aa) above) on the basis of the offered rates of two out of the four quoting Reference Banks (excluding as aforesaid);

(cc) if on any Dividend Payment Date three or two only of the Reference Banks provide such quotations, the Rate of Dividend for the relevant Dividend Period shall, subject to (ee) below, be determined (in accordance with (aa) above) on the basis of the offered rates of all the quoting Reference Banks (but without excluding as aforesaid);

(dd) if, on any Dividend Payment Date, only one or none of the Reference Banks provides the Agent Bank with such offered quotations, the Rate of Dividend for the relevant Dividend Period shall, subject to (ee) below, be whichever is the higher of:-

(A) the Rate of Dividend in effect for the last preceding Dividend Period to which (aa), (bb) or (cc) above shall have applied; and

(B) (i) a rate per annum which the Agent Bank determines as being 1/4 per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest 1/16 per cent.) of the rates, as communicated to and at the request of the Agent Bank by or on behalf of the Reference Banks or any two or more of them (if such only provide quotations), at which such Reference Banks are offered, as at 11.00 a.m. on the relevant Dividend Payment Date, by leading banks in London, sterling deposits for the relevant Dividend Period, or (ii) if only one or none of the Reference Banks provides the Agent Bank with such offered rates, 1/4 per cent. per annum above the arithmetic average of the lowest lending rates for sterling deposits which leading banks in London, selected after consultation with the Bank by the Agent Bank, quote

on the relevant Dividend Payment Date for the relevant Dividend Period to leading banks which have their head offices in Europe; Provided that if the banks selected as aforesaid by the Agent Bank are not quoting as mentioned above, the Rate of Dividend shall be the Rate of Dividend specified in (A) above;

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

(iii) The Agent Bank will, on each Dividend Payment Date, determine the Rate of Dividend and the amount of dividend payable on each Preference Share (the "Amount of Dividend") for the relevant Dividend Period. The Amount of Dividend shall be calculated by applying the Rate of Dividend to the nominal amount of one Preference Share, multiplying such sum by the actual number of days in the Dividend Period concerned divided by 365 and rounding the resulting figure to the nearest penny (half a penny being rounded upwards) Provided that for this purpose the nominal amount of each Preference Share shall be deemed to exclude an amount which bears the same proportion to the nominal amount of such Preference Share as the amount in respect of Arrears of Interest and interest accrued in the current Interest Period taken into account in calculating "P" under Condition 9 bears to the amount of "P" under Condition 9.

(iv) The Agent Bank will cause the Rate of Dividend and the Amount of Dividend payable on the Preference Shares as ascertained pursuant to (iii) above for each Dividend Period and the relevant Dividend Payment Date to be notified to the Bank and notice thereof shall be given by the Bank to the holders of the Preference Shares. Such Amount of Dividend and Dividend Calculation so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Dividend Period.

(v) In the event that the Agent Bank does not at any time for any reason determine the Rate of Dividend in accordance with (ii) above or the Amount of Dividend payable on the Preference Shares as ascertained pursuant to (iii) above, the Agent Bank shall forthwith notify the Trustee and the Bank that the Rate of Dividend and/or the Amount of Dividend has not been so determined for the relevant Dividend Period and the Rate of Dividend shall be determined or, as the case may be, the Amount of Dividend shall be calculated by the Bank in its absolute discretion (having such regard as it shall think fit to the procedure described in (ii) or (iii) above, but subject to the minimum Rate of Dividend referred to in sub-paragraph (ii)(ee) above); and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(D) As regards further issues of shares and modification of rights

(i) All or any of the special rights and privileges for the time being attached to the Preference Shares may from time to time (whether or not the Bank is being wound up) either with the consent in writing of the holders of three fourths of the issued Preference Shares, or with the sanction of an Extraordinary Resolution passed at a separate

general meeting of the holders of such shares be varied or abrogated.

A quorum at any such meeting shall be two persons holding or representing by proxy not less than one-third of the issued shares of the class but so that if at any adjourned meeting such quorum is not present those of such holders who are present shall be a quorum.

(ii) The special rights conferred upon the holders of the Preference Shares shall be deemed not to be varied or abrogated by the creation or issue of, or the agreement or obligation, whether or not conditional, to create or issue, further shares ranking in priority to or pari passu with the Preference Shares as regards participation in the profits or assets of the Bank (including as regards return of capital), and no such creation or issue shall require the consent or sanction of the holders of the Preference Shares.

(E) As regards notice

All notices regarding the Preference Shares will be valid if published in at least one 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 publication or, if published more than once, on the date of the first such publication.

THE COMMON SEAL of MIDLAND BANK)
plc was hereunto affixed in the)
presence of:-)

Authorised
Signatory

T. Cox

Authorised
Counter-Signatory

N. Barker

THE COMMON SEAL of THE LAW)
DEBENTURE TRUST CORPORATION)
p.l.c. was hereunto affixed:-)

Director

H.D. Osborne

Deputy
~~Assistant~~ Trust
~~Secretary~~ Manager

K.A. Graham