

OFFERING CIRCULAR

A copy of this document, which constitutes listing particulars with regard to the Bank in accordance with The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, has been delivered for registration to the Registrar of Companies in England and Wales as required by Regulation 7(5) of those Regulations. The listing particulars have been approved by the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange").

National Westminster Bank PLC

(Incorporated in England with limited liability)

Issue of U.S.\$500,000,000 PRIMARY CAPITAL FRNs (SERIES "C")

(Floating Rate Notes)



County Bank Limited

**Credit Suisse First Boston Limited
Morgan Guaranty Ltd
Orion Royal Bank Limited
Shearson Lehman Brothers International**

**Merrill Lynch Capital Markets
Morgan Stanley International
Salomon Brothers International Limited
S. G. Warburg & Co. Ltd.**

**Bank of Tokyo International Limited
Banque Paribas Capital Markets
Chase Manhattan Capital Markets Group
Commerzbank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft**

**Bankers Trust International Limited
Barclays Merchant Bank Limited
Citicorp Investment Bank Limited
Crédit Commercial de France
Girozentrale und Bank der österreichischen Sparkassen
Aktiengesellschaft**

**Goldman Sachs International Corp.
Kidder, Peabody International Limited
LTCB International Limited
Samuel Montagu & Co. Limited
Sumitomo Finance International
Swiss Bank Corporation International Limited**

**IBJ International Limited
Lloyds Merchant Bank Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A.
Nomura International Limited
Sumitomo Trust International Limited
Union Bank of Switzerland (Securities) Limited
Westdeutsche Landesbank Girozentrale**

**Bank of Yokohama (Europe) S.A.
Banque Nationale de Paris
Crédit Lyonnais
Daiwa Europe Limited
EBC Amro Bank Limited
Fuji International Finance Limited
HongkongBank Limited
Manufacturers Hanover Limited
Mitsui Finance International Limited
The Nikko Securities Co., (Europe) Ltd.
Österreichische Länderbank Aktiengesellschaft
Sanwa International Limited
Takugin International Bank (Europe) S.A.
Wood Gundy Inc.**

**Banque Bruxelles Lambert S.A.
Baring Brothers & Co., Limited
Dai-Ichi Kangyo International Limited
Dominion Securities Pitfield Limited
First Chicago Limited
HandelsBank N.W. (Overseas) Ltd.
F. van Lanschot Bankiers N.V.
Mitsubishi Finance International Limited
Morgan Grenfell & Co. Limited
Nippon Credit International (HK) Ltd.
Saitama Bank (Europe) S.A.
The Taiyo Kobe Bank (Luxembourg) S.A.
Westpac Banking Corporation
Yamaichi International (Europe) Limited**

Yasuda Trust Europe Limited

14th November, 1985

The U.S.\$500,000,000 Primary Capital FRNs (Series "C") (the "Notes") will bear no final maturity. The Notes may be redeemed on any Interest Payment Date at the option of National Westminster Bank PLC (the "Bank") at their principal amount in the event of certain changes affecting taxation on any Interest Payment Date relating to the Notes and otherwise on any Interest Payment Date falling in or after November 1990.

The Notes will be unsecured obligations of the Bank and the rights of the Noteholders will be subordinated to the claims of Senior Creditors (as defined herein). Payments of principal and interest will be conditional upon the Bank being solvent at the time of payment by the Bank, and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter.

The issue price of the Notes is 100 per cent. of their principal amount.

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. Such admission will be conditional upon the issue of the Global Note referred to below and the issue of the Notes may be cancelled if the Global Note is not so issued.

The Notes will be represented initially by a Global Note, without interest coupons, which will be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System, and Cedel S.A. at the closing (which is expected to be on or about 27th November, 1985) and which will become exchangeable for definitive Notes, with interest coupons (and one talon for further coupons) attached, not before the expiration of 90 days following completion of the distribution of the Notes, as determined by County Bank Limited, upon certification of non-United States beneficial ownership.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and may not be offered or sold, directly or indirectly, in the United States or to any U.S. person as part of the distribution of the Notes (see "Subscription and Sale" below).

NATIONAL WESTMINSTER BANK PLC

(Incorporated in England with limited liability)

Issue of U.S.\$500,000,000 PRIMARY CAPITAL FRNs (SERIES "C")

(Floating Rate Notes)

(the "Notes")

The issue price of the Notes is 100 per cent. of their principal amount

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

All references herein to "dollars", "U.S.\$", "\$" or "cents" are to the currency of the United States of America.

The Notes will be represented initially by a single temporary Global Note (the "Global Note") without interest coupons which will be deposited with Morgan Guaranty Trust Company of New York, London office (the "Common Depository") as common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System ("Euro-clear") and Cedel S.A. on or about 27th November, 1985. Euro-clear or, as the case may be, Cedel S.A. will credit each subscriber with a principal amount of Notes equal to the principal amount thereof subscribed and paid for by such subscriber. The Global Note is expected to be exchangeable into definitive Notes in bearer form in the denomination of \$10,000 or \$100,000 with, at the date of issue, coupons (and one talon for further coupons) attached, not earlier than the date (the "Exchange Date") 90 days after the completion of the distribution of the Notes, as determined by County Bank Limited. On or after the Exchange Date, a holder of record of Notes may obtain definitive Notes upon presentation of a certificate that the beneficial owner is not a U.S. person (as defined in "Subscription and Sale" below). Any interest payable on the Global Note before the Exchange Date will be paid to Euro-clear or, as the case may be, Cedel S.A. which will credit to the account of a person entitled to receive a definitive Note (as shown by their respective records) the amount of interest due on that Note only upon receipt of a certificate to the effect that the beneficial owner of the Note is not a U.S. person.

Except as described herein in relation to Great Britain, no action has been or will be taken by the Bank or the Managers that would permit a public offering of the Notes or the circulation or distribution of this document or any offering material in relation to the Bank or the Notes in any country or jurisdiction where action for that purpose is required.

The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Bank passed on 12th November, 1985.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration in the Trust Deed as defined below, are the terms and conditions of the Notes substantially in the form in which they will appear on the Notes.

The U.S. \$500,000,000 Primary Capital FRNs (Series "C") (the "Notes") issued by National Westminster Bank PLC (the "Bank") are constituted by a Trust Deed dated 27th November, 1985 (the "Trust Deed") made between the Bank and The Law Debenture Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include such company and all other persons or companies for the time being trustee or trustees thereof). The Trustee shall act as trustee for the holders of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the registered office for the time being of the Trustee (presently at Estates House, 66 Gresham Street, London EC2V 7HX) and at the specified offices of each of the Paying Agents referred to below. The Noteholders and the holders of the Coupons referred to below (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions contained in the Trust Deed.

1. Title and Denominations

Title to the Notes and to the coupons including the talon for further coupons appertaining thereto (together, where the context so permits, "Coupons") shall pass by delivery. The bearer of any Note and 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 thereof or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone) and for all other purposes whether or not such Note or Coupon shall be overdue.

The Notes, which are serially numbered, are being issued in the form of 4,000 bearer notes in the denomination of U.S.\$100,000 and 10,000 bearer notes in the denomination of U.S.\$10,000. Notes of one denomination will not be exchangeable for Notes of the other denomination.

2. Status and Subordination

The Notes and the Coupons constitute unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) and accordingly payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purpose of this Condition the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Bank by two directors of the Bank or (in certain circumstances as provided in the Trust Deed) the auditors of the Bank or (if the Bank is in winding-up in England) its liquidator shall in the absence of proven error be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof. The Noteholders are creditors of the Bank whose claims rank in point of subordination *pari passu* with the claims of the holders of the U.S.\$1,000,000,000 Primary Capital FRNs Series "A" and "B".

If at any time an order is made or an effective resolution is passed for the winding-up in England of the Bank, there shall be payable on the Notes (in lieu of any other payment), but subject as provided in this Condition, such amounts, if any, as would have been payable to the Noteholders as if, on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares in the capital of the Bank having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Bank (including the 7 per cent. (now 4.9 per cent. plus tax credit) Cumulative Preference shares in the capital of the Bank) on the assumption that such preference shares were entitled to receive on a return of capital in such winding-up an amount equal to the principal amount of the Notes together with accrued interest to the date of repayment (as provided in the Trust Deed) and Arrears of Interest, if any.

For the purposes of these Conditions, "Senior Creditors" means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are other subordinated creditors of the Bank except those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Noteholders; "Assets" means the total assets of the Bank; and "Liabilities" means the total liabilities of the Bank, all as shown by the latest published audited balance sheet of the Bank but adjusted for contingencies and for subsequent events, all valued in such manner as such directors, the auditors or the liquidator (as the case may be) may determine.

N.B. If the Bank would not otherwise be solvent for the purposes of this Condition (having taken into account liabilities to creditors other than Senior Creditors), the amount of the principal and sums which would otherwise be payable as interest on the Notes will be available to meet the losses of the Bank.

3. Interest

(a) Period of Accrual of Interest and Coupons

The Notes bear interest from the Issue Date (which expression means 27th November, 1985 or, if payment to the Bank is deferred as permitted in the Subscription Agreement referred to below, such later date as shall be the date on which payment to the Bank is made, being not later than 29th November, 1985). On issue, Coupons are attached hereto and interest payments shall be made against surrender of the appropriate Coupons in accordance with and subject to the provisions of Condition 5. Interest on each Note shall cease to accrue from the date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 2. After such date for redemption any unmatured Coupons (which expression shall mean Coupons maturing on Interest Payment Dates falling after the date of redemption but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or before such date in respect of which interest has not been paid by the Bank) relating to such Note (whether or not attached thereto) shall become void. After all the Coupons attached to or issued in respect of a Note have matured further Coupons and one further talon will (subject to Condition 8) be issued against presentation of the relevant talon.

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

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects) the interest accrued in the Interest Period ending on the day immediately preceding 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 shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may at the option of the Bank be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 12, but all Arrears of Interest on all Notes outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Bank, (ii) the date set for any redemption pursuant to Condition 4(a) or 4(b) or (iii) the commencement of a winding-up of the Bank. If notice is given by the Bank of its intention to pay the whole or part of 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.

For the purposes hereof the expressions following have the following meanings:—

"Interest Payment Date" means the date falling three months after the Issue Date and thereafter each date which falls three calendar months after the immediately preceding Interest Payment 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 day which is a 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 day which is a business day and each subsequent Interest Payment Date shall be the last business day of the third calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in either of the two Interest Periods immediately preceding such Interest Payment Date, any dividend has been declared or paid on any class of share capital of the Bank.

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

"Interest Period" means the period from and including one Interest Payment Date (or the Issue Date) to but excluding the next (or first) Interest Payment Date.

"business day" means (but not for Condition 5 (b)) a day on which banks and foreign exchange markets are open for business in both London and New York City.

(c) Rate and Amount of Interest

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank (as described in paragraph (h) 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 paragraph (h) below) to provide the Agent Bank with their bid quotations to leading banks for deposits of United States 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 (each such bid quotation being called a "Libid quotation"). The Rate of Interest for such Interest Period shall, subject as provided 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 such Libid quotations of three out of five quoting Reference Banks (excluding, if the Libid quotations of all such Reference Banks are not the same, the highest and lowest Libid quotations and, if the highest Libid quotation applies in respect of more than one Reference Bank, excluding the Libid quotation in respect of one such Reference Bank, and similarly if the lowest Libid quotation applies in respect of more than one Reference Bank), as determined by the Agent Bank.
- (ii) If on any Interest Determination Date only four of the Reference Banks provide the Agent Bank with Libid quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the arithmetic average of the Libid quotations of those Reference Banks providing such quotations (excluding the Libid quotations in respect of two such Reference Banks on the basis set out in (i) above).
- (iii) If on any Interest Determination Date only three of the Reference Banks provide the Agent Bank with Libid quotations, the Rate of Interest shall be determined in accordance with (i) above on the basis of the arithmetic average of the Libid quotations of all the quoting Reference Banks (without any exclusion as aforesaid).
- (iv) If on any Interest Determination Date fewer than three of the Reference Banks provide the Agent Bank with Libid quotations, the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect on the last day of the immediately preceding Interest Period, provided that (1) if on any day during the relevant Interest Period prior to the seventh business day before the relevant Interest Payment Date the Agent Bank determines that at least

three of the Reference Banks are quoting bid and offered rates for three-month U.S. dollar deposits to leading banks in the London inter-bank market, then the Agent Bank shall determine a new Rate of Interest (the "Substituted Rate") by application (*mutatis mutandis*) of the provisions set out in (i), (ii) or (iii) above, as the case may be, and (2) the Rate of Interest originally applicable to such Interest Period shall apply in respect of such Interest Period from and including the first day thereof up to but excluding the second business day after the day upon which the Substituted Rate is determined and the Substituted Rate shall apply from and including such second business day up to but excluding the next Interest Payment Date.

(d) Determination of Rate of Interest and Coupon Amounts

The Agent Bank shall, as soon as practicable after each Interest Determination Date, determine and notify to the Bank, the Trustee and the Principal Paying Agent (as defined in the Trust Deed) (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date and (2) the dollar amount payable on presentation of each Coupon in respect of Notes of each denomination (the "Coupon Amounts") for such Interest Period. The Coupon Amounts shall be calculated by applying the Rate of Interest to the principal amount of one Note of each denomination, multiplying such sum by the actual number of days in the Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The Agent Bank shall also, as soon as practicable after determining any Substituted Rate under paragraph (c) (iv) above, notify such rate to the Bank, the Trustee and the Principal Paying Agent and determine and so notify the revised Coupon Amounts for the relevant Interest Period.

(e) Publication of Rate of Interest and Coupon Amounts

The Agent Bank shall cause the Rate of Interest (and any Substituted Rate) and the Coupon Amounts (and any revised Coupon Amounts) for each Interest Period and the relevant Interest Payment Date to be notified to The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") and to be published in accordance with Condition 12. The Coupon Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If for any reason the Agent Bank does not at any time determine the Rate of Interest or the Coupon Amounts in accordance with paragraphs (c) and (d) 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 paragraph (c) above), it thinks fit or, as the case may be, the Trustee shall calculate the Coupon Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions summarised under this Condition 3, 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 Trustee, the Principal Paying Agent, the Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(h) Reference Banks and Agent Bank

The Bank shall procure that so long as any of the Notes is outstanding there shall at all times be five Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, Morgan Guaranty Trust Company of New York, The Royal Bank of Canada, Swiss Bank Corporation and Westdeutsche Landesbank Girozentrale. The initial Agent Bank shall be Kredietbank S.A. Luxembourgise at its Luxembourg office (or, if any Interest Determination Date is not a day on which banks and foreign exchange markets are open for business in Luxembourg, at its London office). The Bank may terminate the appointment of any of the Reference Banks or (with the prior approval of the Trustee) of the Agent Bank. 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 of Kredietbank S.A. Luxembourgise 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 in addition resign its duties as such provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

4. Redemption

The Bank shall not be at liberty to redeem the Notes except in accordance with the following provisions of this Condition:—

(a) Redemption for Taxation Reasons

If the Trustee is satisfied, immediately prior to the giving of notice to Noteholders hereinafter referred to, that (i) on the occasion of the next payment due in respect of the Notes or Coupons the Bank would for reasons outside its control be required to pay additional amounts in accordance with Condition 6, or (ii) payments of interest on the Notes would be treated as "distributions" within the meaning of the Taxes Acts for the time being of the United Kingdom, the Bank may, on any Interest Payment Date, having given not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Notes at their principal amount. Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem the Notes at their principal amount.

(b) Optional Redemption

On having given not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12 the Bank may redeem all the Notes on any Interest Payment Date falling in or after November 1990, at their principal amount. Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem the Notes at their principal amount.

(c) Purchases

The Bank or any of its subsidiaries may at any time purchase Notes in the open market or by tender (available to all Noteholders alike) or by private treaty. In the case of purchases in the open market or by tender the price, exclusive of expenses and accrued interest, will not exceed the average of the middle market quotations of the Notes taken from The Stock Exchange Official List for the 10 business days before the purchase is made or, in the case of a purchase through the open market, the market price, provided that it is not more than 5 per cent. above such average. In the case of purchases by private treaty the price, exclusive of expenses and accrued interest, will not exceed 105 per cent. of the middle market quotation of the Notes on The Stock Exchange (or, failing such quotation, by reference to such other quotation as may be agreed between the Bank and the Trustee) at the close of business on the last dealing day preceding the date of purchase. In each case purchases will be made together with all unmatured Coupons relating thereto. No purchase of Notes may be made by the Bank or any of its subsidiaries otherwise than in accordance with this paragraph.

(d) Cancellation

All Notes redeemed or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or re-issued.

References in this Condition 4 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

5. Payments

(a) Payment of principal and interest in respect of Notes will (subject to Condition 2) be made against presentation and surrender of the relevant Note or Coupon at the specified office of any of the Paying Agents, by dollar cheque drawn on, or by transfer to a dollar account maintained by the payee with, a bank in New York City, subject in all cases 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 6. Without prejudice to the generality of the foregoing the Bank reserves the right to require any person receiving any payment in respect of a Note or a Coupon to provide a Paying Agent with such certification or information as may be required to satisfy any applicable requirements of the United States federal income tax laws. If any payment is to be made in respect of interest, the Interest Payment Date for which falls on or after the date on which the winding-up of the Bank commences (or is deemed to have commenced), such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Payment Date shall be void. Each Note presented for redemption must be presented together with all unmatured Coupons appertaining thereto. In addition, in the event of the winding-up of the Bank each Note which is presented for payment must be presented together with all Coupons appertaining to such Note in respect of Arrears of Interest, failing which the amount payable in respect of any such missing Coupon (or, in the case of payment not being made in full, that proportion of the amount so payable in respect of such missing Coupon which such amount bears to the total amount payable in respect of such Note (inclusive of Arrears of Interest and accrued interest)) will be deducted from the sum due for payment on presentation of such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon.

(b) If the date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following day which is a business day at that place of payment and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5(b), "business day" means any day on which banks are open for business in the relevant place of payment and (in the case of payment by transfer to a dollar account as referred to in Condition 5(a)) on which dealings in foreign currency may be carried on both in New York City and in such place of payment.

(c) The Initial Paying Agents and their initial specified offices are set out below. The Bank reserves the right, subject to the approval of the Trustee, at any time 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 continental Europe and, so long as the Notes are listed on The Stock Exchange, in London. In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in dollars when due, (ii) payment of the full amount of such interest by all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, (iii) the Bank does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent in a jurisdiction where such payment is not illegal or so precluded and (iv) such payment is then permitted by United States law. Notice of any such 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 12.

6. Taxation

All payments of principal and/or interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the United Kingdom, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result (after such withholding or deduction) in the receipt by the holders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or, as the case may be, Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:—

- (a) by or on behalf of any holder liable to such tax, duty or charge in respect of such Note or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) in the United Kingdom; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days.

The "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date) the date on which notice is given to the Noteholders that such moneys have been so received.

Any reference in these Conditions to the principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Events of Default and Enforcement

(a) If the Bank shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may institute proceedings in England (but not elsewhere) for the winding-up of the Bank. For the purpose of this paragraph a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2 is not satisfied.

(b) The Trustee shall not be bound to take the action referred to in Condition 7(a) to enforce the obligations of the Bank in respect of the Notes and Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

(c) No Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so in which case the Noteholder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding-up of the Bank, or to prove in any winding-up of the Bank, except that if the Trustee, having become bound to proceed against the Bank as aforesaid fails to do so, or, being able to prove in any winding-up of the Bank, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in England (but not elsewhere) of the Bank and/or prove in any winding-up of the Bank to the same extent (but not further or otherwise) that the Trustee would have been entitled so to

do in respect of his Notes and Coupons. No remedy against the Bank, other than the institution of proceedings for the winding-up in England of the Bank or the proving or claiming in any winding-up of the Bank, 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 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 (other than for recovery of the Trustee's remuneration or expenses).

8. Prescription

Notes and Coupons (excluding for this purpose talons) will become void unless presented for payment within a period of 12 years in the case of Notes and six years in the case of Coupons respectively from the Relevant Date (as defined in Condition 6) relating thereto. The prescription period in respect of talons shall be:—

- (a) as to any talon whose original due date for exchange falls not more than 12 years prior to the date for redemption (pursuant to Condition 4(a) or 4(b)) of the Note to which it pertains, six years from the Relevant Date of such Note, but so that the Coupon sheet for which it is exchangeable shall be issued without any Coupon itself prescribed in accordance with this Condition 8 and without a talon; and
- (b) as to any other talon, 12 years from the Relevant Date of the last Coupon of the Coupon sheet of which it formed part.

9. 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 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 for any profit resulting therefrom.

10. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of the terms and conditions of the Notes and the provisions of the Trust Deed, provided that certain provisions (including, *inter alia*, the terms concerning the currency and due dates of payment of principal or interest in respect of the Notes and the principal amount of any Note and the provisions as to subordination referred to in Condition 2) may be modified only at a meeting of Noteholders for which special quorum provisions apply. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (except as aforesaid) of, or to any waiver or authorisation of any breach or proposed breach of, any provision of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification to correct a manifest error. Unless the Trustee agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

The Trustee may also agree, 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, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, of a subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking subsidiary (as so defined in the Trust Deed) of the Bank in the place of the Bank, be subordinated to the rights of Senior Creditors (as defined in Condition 2, but with the substitution of references to that subsidiary in place of references to the Bank) of that subsidiary.

In the case of a substitution pursuant to this Condition the Trustee may in its absolute discretion 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.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution 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. No Noteholder or Couponholder shall, in connection with any such substitution, 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 6 (as from time to time amended).

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated or destroyed it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall be given in accordance with Condition 12) 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 reasonably require. Mutilated Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid 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. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Bank and the Trustee shall determine.

It is expected that publication of notices will normally be made in the *Financial Times*.

13. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with English law and the English Courts will have jurisdiction in connection with the Trust Deed, the Notes and the Coupons.

USE OF PROCEEDS

The net proceeds of the issue, which are estimated to amount to U.S.\$498,675,000, will be employed in the international business of the Bank and its subsidiaries.

DIRECTORS OF THE BANK

The Directors of the Bank, each of whose address is 41 Lothbury, London EC2P 2BP if not otherwise stated, their functions within the Bank and their principal outside activities where significant to the Bank and its subsidiaries are as follows:—

Name and Address	Function within the Bank	Principal Outside Activity
The Rt. Hon. the Lord Boardman M.C., T.D., D.L.	Chairman	—
Viscount Sandon T.D.	Deputy Chairman	—
Sir Anthony George Touche Bt.	Deputy Chairman	—
William Jeffrey Benson	Deputy Chairman	—
Ronald Robert Bennie	General Manager	—
	International Banking Division	
The Rt. Hon. the Viscount Boyne J.P., D.L.	Non-Executive Director	—
Sir Alan Hugh Campbell G.C.M.G.	Non-Executive Director	—
Denis Marsden Child	Deputy Group Chief Executive	—
Peter Cecil Coleclough	Non-Executive Director	—
The Rt. Hon. the Earl of Crawford and Balcarres P.C.	Non-Executive Director	House of Lords
Sir Hugh Guy Cubitt C.B.E., J.P., D.L. The Housing Corporation 149 Tottenham Court Road London W1	Non-Executive Director	Chairman The Housing Corporation
Thomas Pearson Frost	Deputy Group Chief Executive	—
Philip Arthur Girle	General Manager	—
	Domestic Banking Division	
Charles Frederick Green	General Manager	—
	Financial Control Division	
Martin Richard Harris Equity & Law Life Assurance Society plc 20 Lincoln's Inn Fields London WC2A 3ES	Non-Executive Director	Deputy Chairman, Equity & Law Life Assurance Society plc
Robin Arthur Elidyr Herbert J.P., D.L. Leopold Joseph Holdings PLC 31-45 Gresham Street London EC2	Non-Executive Director	Chairman, Leopold Joseph Holdings PLC
David Auldjo Jamieson V.C.	Non-Executive Director	—
Gordon Frank Jones	Non-Executive Director	—
Sir Brian Smith Kellett Port of London Authority International House 1 St. Katherine's Way London E1 9UN	Non-Executive Director	Chairman Port of London Authority
John Alfred Stuart Leighton Leighton-Boyce	Non-Executive Director	—
Charles Alan McLintock KMG Thomson McLintock 70 Finsbury Pavement London EC2A 1SX	Non-Executive Director	Senior Partner KMG Thomson McLintock
The Rt. Hon. the Lord MacLehose of Beoch K.T., G.B.E., K.C.M.G., K.C.V.O.	Non-Executive Director	—
David Burdett Money-Coutts Counts & Co. 440 Strand London WC2R 0QS	Non-Executive Director	—
Sir Edwin Ronald Nixon C.B.E. IBM United Kingdom Limited PO Box 41 North Harbour Portsmouth PO6 3AU	Non-Executive Director	Chairman and Chief Executive IBM United Kingdom Limited
Francis Joseph O'Reilly Ulster Bank Limited 33 College Green Dublin 2 Republic of Ireland	Non-Executive Director	—
Antony Richard Pilkington Pilkington Brothers plc Prescot Road St. Helens Merseyside WA10 3TT	Non-Executive Director	Chairman Pilkington Brothers plc
Christopher Samuel Tugendhat	Non-Executive Director	—
Charles Nigel Villiers County Bank Limited 11 Old Broad Street London EC2N 1BB	Chairman County Bank Limited	—
Sir Peter Ingram Walters The British Petroleum Company plc Britannic House Moor Lane London EC2Y 9BU	Non-Executive Director	Chairman and Managing Director The British Petroleum Company plc
Philip William Wilkinson	Group Chief Executive	—

CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

Share capital and loan capital of the Bank and its subsidiaries as at 30th September, 1985, as adjusted for the Notes now being issued, are as follows:—

SHARE CAPITAL

	£m
Authorised:	
Ordinary shares of £1 each	450
7% (now 4.9%+tax credit) Cumulative Preference shares of £1 each	15
	465
	465
Issued and fully paid:	
Ordinary shares of £1 each	361
7% (now 4.9%+tax credit) Cumulative Preference shares of £1 each	14
	375
	375

Notes:

- (1) Under the terms of the Bank's savings-related share option schemes, there were outstanding options to subscribe for 10,614,097 Ordinary shares of £1 each. These options can be exercised from 1985 to 1991 at various prices between £1.67 and £4.56 per share unless they lapse earlier in accordance with the rules of the schemes.
- (2) Warrants enabling holders to procure the subscription on their behalf for, in aggregate, 12,000,000 Ordinary shares of £1 each at £7.47 per share were issued in July 1985 in conjunction with the issue of Sw.Fr.300,000,000 4½ per cent. Capital Bonds 1995. These warrants can be exercised at any time until July 1990.
- (3) Retained earnings and other reserves forming part of Ordinary shareholders' funds are not included in the above table. At 30th June, 1985, such earnings and reserves, on an unaudited basis, amounted in aggregate to £2,418 million.

UNDATED LOAN CAPITAL

The Bank:	
U.S.\$1,000m Primary Capital FRNs (Series 'A' and 'B') (note 1)	712
U.S.\$500m Primary Capital FRNs (Series 'C') (now being issued) (note 2)	356
Due to subsidiary company:	
U.S.\$500m Junior Guaranteed Floating Rate Notes (minimum 5% until 1994) (note 3)	356
	1,424
	1,424

Notes:

- (1) The notes have no final maturity but may be redeemed at par, at the option of the borrower, in or after July 1990 (in the case of Series 'A') and in or after August 1990 (in the case of Series 'B').
- (2) The notes have no final maturity but may be redeemed at par, at the option of the borrower, in or after November 1990.
- (3) The notes have no final maturity but may be redeemed at par, at the option of the borrower, in or after May 1989. They are guaranteed on a junior subordinated basis by the Bank as to payment of principal and interest. The proceeds are on-lent to the Bank on a junior subordinated basis.

DATED LOAN CAPITAL

	£m	£m
The Bank:		
9% £21m Unsecured Loan Stock 1993	21	
12½% £100m Unsecured Loan Stock 2004	100	
9% U.S.\$8m Capital Bonds 1986	6	
9% U.S.\$75m 'B' Capital Bonds 1986	53	
U.S.\$100m Floating Rate (minimum 5¼%) Capital Notes 1994 (1986—note c)	71	
U.S.\$100m Floating Rate Loan 1988	71	
3¾% Sw.Fc.25m Loan 1987 (1986—note c)	8	
3¾% Sw.Fc.25m Loan 1987 (1986—note c)	8	
Sw.Fc.300m 4½% Capital Bonds 1995 (1990—note c)	98	
	436	
Due to subsidiary companies (notes a and d):		
U.S.\$175m Floating Rate (minimum 5¼%) Capital Notes 1991 (1986—note c)	125	
14¾% U.S.\$100m Capital Bonds 1991	71	
11¾% U.S.\$150m Capital Bonds 1992	107	
12½% U.S.\$100m Capital Notes 2002 (1997—note c)	71	
9¾% DM 100m Bearer Bonds 1992	27	
U.S.\$400m Floating Rate Capital Notes 2005 (1990—note c)	285	
	686	
Subsidiaries:		
U.S.\$100m Floating Rate (minimum 5½%) Capital Notes 1992 (1988—note c; notes b and d)	71	
11% DM 125m Bearer Bonds 1991 (note d)	33	
Capital notes (at rates of 4.85% or 5%) repayable in instalments between 1985 and 1990	3	
Mortgage notes (at rates of 4.75% or 4.9%) repayable in instalments between 1985 and 1995	3	
Debentures (at various rates between 3½% and 5½%) repayable between 1985 and 1994	57	
	167	
	1,289	

The dated and undated loan capital, with the exception of the mortgage notes, is unsecured and the obligations of the Bank in respect of such loan capital are subordinated.

Notes:

- (a) Issued by certain subsidiaries of the Bank and on-lent to the Bank on a subordinated basis.
- (b) Convertible, until 1986, into the equivalent amount of 10% Guaranteed Capital Bonds 1992. U.S.\$50,000 have been converted as at the date of this document.

- (c) Repayable at the option of the relevant borrower in or after the years mentioned in parentheses, in certain cases at a premium over par.
- (d) Guaranteed on a subordinated basis by the Bank as to payment of principal, premium (if any) and interest.
- (e) Save for the Notes now being issued there has been no material change in the Bank's share capital or loan capital since 30th September, 1985.
- (f) All amounts in foreign currencies have been translated into sterling at the rates prevailing on 30th September, 1985.

UNITED KINGDOM TAXATION

The current United Kingdom income taxation position can be summarised as follows:—

1. The Notes will constitute "quoted Eurobonds" within the terms of Section 35 of the Finance Act 1984, provided they remain in bearer form and continue to be quoted on a recognised stock exchange within the meaning of Section 535 of the Income and Corporation Taxes Act 1970. Accordingly, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where:—
 - (a) the person by or through whom the payment is made is not in the United Kingdom. In accordance with current Revenue practice no withholding or deduction for or on account of United Kingdom income tax will be required where the payment of interest is made by an overseas paying agent, notwithstanding that the Bank is resident in the United Kingdom and will appoint a principal paying agent in the United Kingdom; or
 - (b) the payment is made by or through a person who is in the United Kingdom and
 - (i) it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the person who is the beneficial owner of the Note and entitled to the interest is not resident in the United Kingdom, or where the interest is by virtue of any provision of the United Kingdom Taxes Acts deemed to be income of a person other than the person who is the beneficial owner of the Note on a claim in that behalf made to the Commissioners of Inland Revenue by that other person, that such other person is not resident in the United Kingdom; or
 - (ii) the Note and Coupon are held by one and the same person in a "recognised clearing system". Euro-clear and Cedel S.A. have each been designated as a "recognised clearing system" for this purpose.

In all other cases, interest will be paid under deduction of United Kingdom income tax subject to such relief as may be available under the provisions of any relevant double taxation treaty.
2. A collecting agent in the United Kingdom obtaining payment elsewhere than in the United Kingdom on behalf of a holder of a Note or Coupon may be required to withhold or deduct for or on account of United Kingdom income tax unless it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the beneficial owner of the Note and (if the payment is in respect of a Coupon) the Coupon is not resident in the United Kingdom.
3. The interest has a United Kingdom source and accordingly will be chargeable to United Kingdom tax by direct assessment even if the interest was paid without withholding or deduction. However, under long-standing Inland Revenue practice, the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are not residents of the United Kingdom, except where such persons:—
 - (a) are chargeable in the name of an agent in the United Kingdom; or
 - (b) have a branch in the United Kingdom which has the management or control of the interest; or
 - (c) seek to claim relief in respect of taxed income from United Kingdom sources; or
 - (d) are chargeable to Corporation Tax on the income of a United Kingdom branch or agency to which the interest is attributable.
4. Noteholders should note that the provisions relating to additional payments referred to in Condition 6 of the Notes would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available under an appropriate double taxation treaty.

SUBSCRIPTION AND SALE

County Bank Limited, Credit Suisse First Boston Limited, Merrill Lynch International & Co., Morgan Guaranty Ltd, Morgan Stanley International, Orion Royal Bank Limited, Salomon Brothers International Limited, Shearson Lehman Brothers International, Inc., S. G. Warburg & Co. Ltd., Bank of Tokyo International Limited, Bankers Trust International Limited, Barclays Merchant Bank Limited, Chase Manhattan Limited, Citicorp Investment Bank Limited, Commerzbank Aktiengesellschaft, Crédit Commercial de France, Dresdner Bank Aktiengesellschaft, Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft, Goldman Sachs International Corp., IBI International Limited, Kidder, Peabody International Limited, Lloyds Merchant Bank Limited, LTCB International Limited, Mitsubishi Trust & Banking Corporation (Europe) S.A., Samuel Montagu & Co. Limited, Nomura International Limited, Paribas Limited, Sumitomo Finance International, Sumitomo Trust International Limited, Swiss Bank Corporation International Limited, Union Bank of Switzerland (Securities) Limited, Westdeutsche Landesbank Girozentrale, Bank of Yokohama (Europe) S.A., Banque Bruxelles Lambert S.A., Banque Nationale de Paris, Baring Brothers & Co., Limited, Crédit Lyonnais, Dai-ichi Kangyo International Limited, Daiwa Europe Limited, Dominion Securities Pitfield Limited, EBC Amro Bank Limited, First Chicago Limited, Fuji International Finance Limited, HandelsBank N.W. (Overseas) Ltd., HongkongBank Limited, F. van Lanschot Bankiers N.V., Manufacturers Hanover Limited, Mitsubishi Finance International Limited, Mitsui Finance International Limited, Morgan Grenfell & Co. Limited, The Nikko Securities Co., (Europe) Ltd., Nippon Credit International (Hong Kong) Limited, Österreichische Länderbank Aktiengesellschaft, Saitama Bank (Europe) S.A., Sanwa International Limited, The Taiyo Kobe Bank (Luxembourg) S.A., Takugin International Bank (Europe) S.A., Westpac Banking Corporation, Wood Gundy Inc., Yamaichi International (Europe) Limited and Yasuda Trust Europe Limited (the "Managers") have, pursuant to a Subscription Agreement dated 14th November, 1985, jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at 100 per cent. of their principal amount for a selling group commission of 0.10 per cent. of their principal amount (plus United Kingdom Value Added Tax ("VAT") where applicable). The Bank has agreed to pay to the Managers a management commission of 0.11 per cent. and an underwriting commission of 0.04 per cent. (plus VAT in each case) calculated on the principal amount of the Notes and to reimburse the Managers for certain of their expenses in connection with the issue of the Notes up to an amount of \$75,000. The subscription Agreement entitles the Managers to be released and discharged from their obligations in respect of the subscription of the Notes in certain exceptional circumstances prior to payment to the Bank.

The Managers, on behalf of the Bank, have invited certain banks, brokers and dealers (the "Selling Group") to purchase Notes at a price of 100 per cent. of the principal amount of the Notes for a selling group commission of 0.10 per cent. of such principal amount, plus VAT where applicable.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and they may not, as part of their distribution, be offered or sold directly or indirectly in the United States or to any U.S. person. Any offers or sales of the Notes in the United States or to U.S. persons prior to the expiration of 90 days after the distribution of the Notes has been completed, as determined by County Bank Limited, may violate United States law. Notwithstanding the expiration of such 90-day period, any offers or sales of Notes in the United States or to U.S. persons must be made in compliance with the registration requirements of the Securities Act of 1933 or pursuant to an exemption therefrom, and the availability of any such exemption would depend upon the facts and circumstances existing at the time of such offers and sales. Neither the Bank nor any of the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and neither the Bank nor any of the Managers makes any representation as to when, if at any time, the Notes may lawfully be sold in the United States or to U.S. persons.

Each Manager and each subscriber has represented that it is not acquiring any of the Notes for the account of any U.S. person and has further represented and agreed that it has not offered or sold and will not offer or sell any Notes acquired by it in connection with the distribution thereof, directly or indirectly, in the United States or to any U.S. person (except a member of the Selling Group in its capacity as a dealer) and has further agreed that it will not, as principal or agent, offer or sell any Notes otherwise acquired, directly or indirectly, in the United States or to any U.S. person prior to the expiration of 90 days after the distribution of the Notes has been completed, as determined by County Bank Limited.

Each Manager and each subscriber has further agreed that it will deliver to each dealer that purchases any Notes acquired by it a written confirmation setting forth the restrictions on offers and sales of the Notes in the United States or to U.S. persons. A complete description of the restrictions on offers and sales of the Notes in the United States or to U.S. persons is contained in the Selling Agreement.

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

In connection with the offering and issue of the Notes, the Managers may over-allot and effect transactions with a view to stabilising or maintaining the market price of the Notes at levels other than those which might otherwise prevail in the open market. Such transactions may be effected in any over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

LISTING AND GENERAL INFORMATION

1. The listing of the Notes on The Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest). Transactions will normally be effected for settlement and delivery on the fifth dealing day after the date of the transaction. It is anticipated that permission for listing of the Notes will be granted on 27th November, 1985 subject to the issue of the Global Note.
2. No redemption of the Notes for taxation reasons and no optional redemption of the Notes will be made without the prior consent of the Bank of England.
3. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent at the time of payment by the Bank. The terms and conditions of the Notes do not provide any remedy for non-payment of interest thereon so long as no dividend has been paid or declared in respect of any class of capital of the Bank in the six months preceding the relevant Interest Payment Date (each as defined in Condition 3). In the event of the winding-up of the Bank the right to claim for Arrears of Interest (as defined in Condition 3) may be limited by applicable insolvency law.
4. The Bank is the parent company of one of the two largest banking groups in the United Kingdom and ranked fourteenth largest by total assets in the world as at 31st December, 1984 (source: "The Banker"). The Bank and its subsidiaries conduct domestic business through a network of over 3,000 branches and carry on a large international banking business providing a wide range of services in both wholesale and retail markets.
5. There are no legal or arbitration proceedings pending or threatened against the Bank or any subsidiary of the Bank which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Bank and its subsidiaries taken as a whole.
6. Mr. M. R. Harris, Mr. J. A. S. L. Leighton-Boyce and Mr. C. N. Villiers who are directors of the Bank, are also directors of County Bank Limited, a wholly-owned subsidiary of the Bank. Mr. P. W. Wilkinson is a director of the Bank and a director of HandelsBank N.W., the parent company of HandelsBank N.W. (Overseas) Ltd. Sir Anthony Touche, a deputy Chairman of the Bank, is Chairman of The Law Debenture Corporation p.l.c.
7. There has been no significant change in the financial or trading position of the Bank and its subsidiaries and no material adverse change in the prospects of the Bank and its subsidiaries since 30th June, 1985.
8. The consolidated annual accounts of the Bank for the three financial years ended 31st December, 1984 were audited by Ernst & Whinney, Chartered Accountants and Peat, Marwick, Mitchell & Co., Chartered Accountants.
9. Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Travers Smith Braithwaite, 6 Snow Hill, London EC1A 2AL, for a period of 14 days from the date hereof:—
 - (a) the Memorandum and Articles of Association of the Bank;
 - (b) the Report and Accounts of the Bank for the years ended 31st December, 1983 and 31st December, 1984 and the interim report of the Bank for the six months ended 30th June, 1985;
 - (c) the Subscription Agreement referred to above; and
 - (d) drafts (subject to modification) of the Trust Deed referred to above (including, *inter alia*, the forms of the Notes and the Global Note) and of the Agency Agreement (which is expected to be entered into on or about 22nd November, 1985).

INTERIM RESULTS

On the 30th July, 1985 the Bank published its unaudited interim results for 1985, which are set out below.

The following financial information does not constitute full accounts but contains abridged details from the full group accounts for the year ended 31st December, 1984 on which the auditors have an unqualified report and copies of which have been filed with the Registrar of Companies.

Consolidated Profit and Loss Account (Historical Cost Basis—Unaudited)

	Half-year to 30th June, 1985 £m	Half-year to 30th June, 1984 £m	Year to 31st December, 1984 £m
<i>Trading Surplus</i>			
The Bank and subsidiaries (note 1)	336	278	639
Share of associated companies	18	17	32
<i>Group Profit before Taxation and Extraordinary Item</i>	<u>354</u>	<u>295</u>	<u>671</u>
Taxation (note 2)	177	165	377
	177	130	294
Minority interests	3	3	7
Preference dividends of the Bank	—	—	1
<i>Group Profit after Taxation and before Extraordinary Item</i>	<u>174</u>	<u>127</u>	<u>286</u>
Extraordinary item	—	—	3
<i>Group Profit attributable to Ordinary Shareholders of the Bank</i>	<u>174</u>	<u>127</u>	<u>289</u>
Ordinary dividends	36	29	87
<i>Group Profit transferred to Retained Earnings</i>	<u>138</u>	<u>98</u>	<u>202</u>
Retained Earnings			
Retained Earnings brought forward	1,885	2,362	2,362
Provision for deferred tax (note 3)	—	(570)	(570)
Diminution in value of tax-variable leased assets (note 3)	—	(80)	(80)
Retained profit for the period	138	98	202
Purchased goodwill written off	(1)	(7)	(34)
Other movements	1	4	5
Retained Earnings carried forward	<u>2,023</u>	<u>1,807</u>	<u>1,885</u>
<i>Per Share*</i>			
Dividends	10.0p (Interim)	9.3p (Interim)	25.6p (Total)
Earnings (note 4)	48p	41p	88p

* 1984 figures adjusted for the effects of the rights issue in September 1984.

Summary Consolidated Balance Sheet (Historical Cost Basis—Unaudited)

	30th June, 1985 £m	30th June, 1984 £m	31st December, 1984 £m
Shareholders' Funds			
Share capital	375	254	373
Retained earnings	2,023	1,807	1,885
Other reserves	395	276	391
	<u>2,793</u>	<u>2,337</u>	<u>2,649</u>
Liabilities			
Undated floating rate loan capital	386	296	430
Dated loan capital	1,273	1,062	1,193
Deferred taxation	863	781	866
Current, deposit and other accounts	64,061	60,131	65,515
Other liabilities	1,143	756	864
	<u>70,519</u>	<u>65,363</u>	<u>71,517</u>
Assets			
Liquid and short-term assets	14,914	13,183	14,630
Due from customers, less provision	41,323	36,683	42,217
Market placings over one month	9,479	11,627	10,173
Assets leased to customers	2,708	1,997	2,384
Other debtors	505	461	617
Customers' and other accounts	54,015	50,768	55,391
Premises and equipment	1,367	1,207	1,283
Other assets	223	205	213
	<u>70,519</u>	<u>65,363</u>	<u>71,517</u>

Notes

1. Analysis of Trading Surplus

	Half-year to 30th June, 1985 £m	Half-year to 30th June, 1984 £m	Year to 31st December, 1984 £m
Income:			
Interest income	3,710	3,071	7,200
Less: Interest payable*	2,819	2,240	5,448
	<u>891</u>	<u>831</u>	<u>1,752</u>
Net Interest Income	891	831	1,752
Commission	354	317	681
Investment Income	141	102	240
Foreign exchange	10	28	70
Other income	50	38	88
	<u>1,446</u>	<u>1,316</u>	<u>2,831</u>
Expenditure:			
Personnel costs	598	546	1,149
Premises and equipment	177	163	339
Bad and doubtful debts (note 5)	151	160	351
Other expenditure	184	169	353
	<u>1,110</u>	<u>1,038</u>	<u>2,192</u>
<i>Trading surplus—The Bank and Subsidiaries</i>	<u>336</u>	<u>278</u>	<u>639</u>
* Interest on loan capital included above:	81	62	163

2. Taxation

The charge for taxation is based on the estimated percentage tax charge for the full year.

Comparative figures for taxation for the half-year to 30th June, 1984 have been restated to reflect the effective rate of tax applicable in the full year to 31st December, 1984.

3. In the half-year to 30th June, 1984 as a result of the changes in the Finance Act 1984, £570m of deferred tax was provided out of accumulated retained profits, together with £80m (net of deferred tax credit of £44m) to cover diminution in value of the Group's tax-variable leasing portfolio.

4. Earnings per share are calculated on the "Group profit after taxation and before extraordinary item" of £174m (half-year to 30th June, 1984: £127m, year to 31st December, 1984: £286m) and on the weighted average of 360m ordinary shares (half-year to 30th June, 1984: 310m, year to 31st December, 1984: 325m) in issue during the period.

5. Movements in the periods on the Group's provision for bad and doubtful debts were:—

	Half-year to 30th June, 1985 £m	Half-year to 30th June, 1984 £m	Year to 31st December, 1984 £m
Provision brought forward:	918	670	670
Exchange movements	(32)	8	39
Charge against profits:			
Specific: Domestic	58	67	104
International	60	52	137
General	118	119	241
	33	41	110
	151	160	351
Amounts written off	(125)	(118)	(199)
Less: recoveries	22	19	57
	(103)	(99)	(142)
Provision carried forward:			
Specific: Domestic	242	237	270
International	294	207	278
General	536	444	548
	398	295	370
Total	934	739	918

Interim Dividend

On 31st August, 1985 the Bank paid an interim dividend for 1985 on the ordinary shares of 10.0p per share (1984—9.3p per share) and the half-year's dividend of 2.45p per share on the Bank's preference shares.

Consolidated Profit and Loss Account (Current Cost Basis—Unaudited)

	Half-year to 30th June, 1985 £m	Half-year to 30th June, 1984 £m (restated— note (a))	Year to 31st December, 1984 £m (restated— note (a))
<i>Trading surplus</i> of the Bank and subsidiaries before deducting interest on loan capital	417	360	840
Current cost adjustments:			
—Monetary working capital (note (b))	158	70	155
—Additional depreciation (note (c))	9	6	18
	167	76	173
Share of current cost profits of associated companies	250	284	667
	16	16	29
<i>Current cost operating profit</i>	266	300	696
Interest on loan capital	81	66	171
Less: Gearing adjustment (note (d))	78	32	78
	3	34	93
<i>Current cost profit before taxation</i>	263	266	603
Taxation	177	175	395
Minority interests and preference dividends	86	91	208
	3	3	8
<i>Current cost profit after taxation and before extraordinary item</i>	83	88	200
Extraordinary item	—	—	3
<i>Current cost profit attributable to ordinary shareholders of the bank</i>	83	88	203
Ordinary dividends	36	31	91
<i>Retained current cost profit of the Group</i>	47	57	112
Current cost earnings per share*	23p	28p	62p

*1984 figures adjusted for the effects of the rights issue in September, 1984.

- The 1984 figures have been restated, by reference to the movement of the UK Index of Retail Prices during the periods, to allow for the effect of inflation.
- The monetary working capital adjustment has been calculated by reference to changes in the UK Index of Retail Prices (or the overseas equivalent).
- The additional depreciation charge is based on the excess of current cost values of premises and equipment over the values in the historical cost accounts.
- The gearing adjustment reduces the monetary working capital and additional depreciation adjustments by the proportion of capital, including deferred taxation, provided other than by shareholders' funds.

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14th November, 1985

