

Additional Special Terms & Conditions: Birmingham Midshires 5 Year 60:40 Tracker Guaranteed Equity Bond

1. Definitions

"Bond" means the Birmingham Midshires 5 Year 60:40 Tracker Guaranteed Equity Bond opened by an Investor. "Investor" means a person(s) who has opened a Bond including the administrators, executors or assigns of that person. "Offer Period" means the period from 15 September 2008 up to and including 2 December 2008. This Issue will close earlier if fully subscribed. "FTSE 100 Index" means the index of 100 leading stocks listed on The London Stock Exchange. "Initial Index Level" means the average value of the FTSE 100 Index measured at normal FTSE 100 Index closing time on each day between 16 December 2008 and 17 March 2009. "Maturity Index Level" means the average value of the FTSE 100 Index measured at normal FTSE 100 Index closing time on each day between 29 November 2012 and 28 November 2013. "Maturity Date" means 2 December 2013. The Bond will be available for re-investment or withdrawal on the next working day after maturity. "Issue Date" means 16 December 2008 being the day nominated by Birmingham Midshires on which the Bond will be issued.

2. Investment Levels

The minimum investment is £500. The maximum for any Investor is £10 million. Additional investments are permitted during the Offer Period, providing that this issue has not been fully subscribed.

3. Terms and Conditions

This investment is subject to Birmingham Midshires General Investment Terms and Conditions. In case of conflict, these special Terms and Conditions prevail.

4. Interest

- The interest rate on the fixed rate part (60%) of your investment is set at 10% fixed gross/AER* for one year from the date of investment.
- The interest payment on the FTSE 100 (linked) Tracker part (40%) of your investment will be made based on the performance of the FTSE 100 Index. An interest payment will be made equivalent to 100% of the increase in the FTSE 100 Index capped at a maximum 45% return. The interest to be calculated on the Bond Maturity Date will be determined in accordance with the following formula (except in accordance with paragraph 6).

$$\frac{\text{Maturity Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \times 100\%$$

(Capped at a maximum 45% return).

- At maturity, we will re-invest your funds in an Easy Access Account of our choice.
- If you invest funds into this account, we will pay you an interest rate[†] from the investment date until the issue date. This interest will then be added to the balance invested in the account on the issue date.
- In the unlikely event of an error in the calculation of the FTSE 100 Index and if as a result of such error there is either an overpayment or underpayment to the Investor, it is agreed (a) that Birmingham Midshires will pay to the Investor any underpayment immediately on becoming aware of it or (b) that the Investor will repay any overpayment within seven banking days of receiving written notice from Birmingham Midshires. This is without prejudice to paragraph E in the General Investment Terms and Conditions.
- The Bond does not involve any equity investment. The Investor will not therefore receive the benefit of any dividends.

5. Death

If an Investor dies, Birmingham Midshires will, if requested to do so by either their executor/administrator or the person entitled to the beneficial interest in the Bond (on receipt of appropriate evidence), return the investment in full along with an interest payment based on a rate of 3% gross/AER, for the period in question. For the avoidance of doubt only Bonds open at the Maturity Date will qualify for an interest payment under paragraph 4.

6. Money Back Guarantee

The Investor may, only prior to the Issue Date, withdraw the deposit plus any interest earned within 14 days of receipt of the original deposit by Birmingham Midshires, provided any cheques have cleared. We calculate the interest on the money in your account every day. For cheques interest will be payable from the first banking day following receipt. BACS payments earn interest from the day of receipt. If you transfer money from a Birmingham Midshires product into another Birmingham Midshires product, interest is payable from the second banking day after we complete your instructions. The day of a withdrawal is not a day on which your withdrawal will earn interest.

*AER stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and compounded once each year. Gross is the contractual rate of interest payable before the deduction of income tax at the rate specified by law.

PO Box 81, Pendeford Business Park, Wobaston Road, Wolverhampton WV9 5HZ

This information is also available on request in large print, Braille or audio.
Customers can also contact us by using Tynetalk.

Birmingham Midshires is a division of Bank of Scotland plc, which is authorised for accepting deposits by the Financial Services Authority. It is entered in the FSA's Register and its Register Number is 169628. Registered office: The Mound, Edinburgh EH1 1YZ.

To contact the FSA Consumer helpline, please ring 0845 606 1234, or visit www.money.madeclear.fsa.gov.uk

Bank of Scotland plc is a member of the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000. Where a customer has made deposits in a savings or bank account, payments under the scheme are limited to 100% of the first £35,000, subject to a maximum payment to any one depositor of £35,000. This limit applies provided the insolvency or other default of the bank or firm concerned takes place after 1 October 2007. Please note that accounts with Bank of Scotland include accounts in its divisions and trading names, for example, Halifax, Intelligent Finance and Birmingham Midshires. Most deposits denominated in sterling and other European Economic Area currencies and euro made with offices of the bank within the European Economic Area are covered. There are different levels of protection for other investments covered by the Financial Services Compensation Scheme. Further details of the scheme are available on request.

Bank of Scotland plc is a member of The British Bankers' Association and subscribes to the Banking Code, copies of which are available upon request.

7. Market Disruption

If, on or between the dates used to calculate the Initial and Maturity Index Levels, there shall occur (a) any disruption in the trading in such securities which comprise the FTSE 100 Index or (b) a failure to calculate or announce the FTSE 100 Index, then Birmingham Midshires may be entitled to take the level of the FTSE 100 Index on the next succeeding business day when a market disruption does not occur.

8. Income Tax

Birmingham Midshires will deduct the basic income tax liability for Investors before making any payment, but the Inland Revenue still requires that Investors must declare all interest received or credited on their annual tax return. If an Investor is (or becomes) liable to tax at a higher rate, or in receipt of age allowance, he or she will have further tax to pay.

9. Stock Exchange Disclaimer

This Bond is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or by the London Stock Exchange Limited ("The Exchange") or by The Financial Times Limited ("FT") and neither FTSE nor The Exchange nor the FT makes any warranty or representation whatsoever, expressly or implied, either as to the results to be obtained from the use of the FTSE 100 Index ("The Index") and/or the figure at which the said Index stands at any particular day or otherwise. The Index is compiled and calculated solely by FTSE. However, neither FTSE, nor The Exchange, nor the FT shall be liable (whether in negligence or otherwise) to any person for any error therein. FTSE is a registered trademark of The London Stock Exchange and The Financial Times Limited and is used by FTSE International Limited and Birmingham Midshires under licence.

10. Cancellation

If total funds received by Birmingham Midshires from all Investors during the Offer Period are deemed by Birmingham Midshires to be insufficient, then Birmingham Midshires reserves the right to withdraw this issue and repay investments received plus any interest earned within 14 days of the Issue Date.

11. Certificate of Investment

Birmingham Midshires shall, by 31 March 2009, mail out to investors a certificate of investment giving details of the Bond, including the Initial Index Level and the amount invested.

12. Identification

In the interest of security, new customers may be asked to provide acceptable proof of identification on opening a bond. Birmingham Midshires may also take steps to check the identity of Investors applying by post which may include making further enquiries or following up references.

13. Correspondence

All correspondence will be sent to the Investor at the registered address as detailed in Birmingham Midshires' records. An Investor is asked to notify Birmingham Midshires promptly of any change of address. (This may be done via the Investor's Financial Advisor if we have the relevant authority).

14. Complaints

Birmingham Midshires has its own internal procedure for the proper handling of customers' complaints and details of those procedures will be provided on request from our Corporate Centre at Pendeford.

15. Averaging

The Bond uses a special averaging feature both at the start and maturity of the bond. This averaging may restrict the return you receive. However, these averages are intended to smooth the FTSE 100 Index performance over time and are designed to protect your investment from any uncharacteristic high FTSE 100 Index fixing at the start of the account or low FTSE 100 Index fixing at the maturity date.

† Bank of England Base Rate 5.00% gross/AER* and correct as at 1 September 2008. (Rate will change inline with Bank of England base rate changes)

SAVINGS & INVESTMENTS

Exclusive to Chartwell Group Limited

birmingham midshires 5 year 60:40 tracker guaranteed equity bond

60% of your funds are invested in a 1 Year Fixed Rate Bond which guarantees a fixed return of 10.00% Gross/AER*. The other 40% of your funds are invested in a 5 Year Tracker Guaranteed Equity Bond. On this part of your investment, you'll receive 100% of any percentage growth in the FTSE 100 Index, capped at a maximum 45% return, with no risk to your capital even if the FTSE 100 Index falls.



BEST ONLINE SAVINGS
ACCOUNT PROVIDER



BEST DIRECT SAVINGS
ACCOUNT PROVIDER

CHARTWELL
GROUP LIMITED

BM BIRMINGHAM
MIDSHIRES

5 year 60:40 tracker guaranteed equity bond

What is the 5 Year 60:40 Tracker Guaranteed Equity Bond?

This is an investment linked to the performance of the FTSE 100 Index over a 5 year period. Part of your funds (60%) are invested in a 1 Year Fixed Rate Bond that will earn a guaranteed 10.00% gross/AER* fixed return.

The other 40% of your investment will receive 100% of any percentage growth in the FTSE 100 Index capped at a maximum 45% return over 5 years. As your money is linked to the performance of the FTSE 100 Index, rather than invested in it, your capital is not at risk from any falls in the FTSE 100 Index.

1 Year Fixed Rate Bond (60% of your investment)

- You know exactly what rate of interest your investment will receive - you are guaranteed a fixed return of 10.00% gross/AER* after 12 months.
- You are completely protected against fluctuations in interest rates for the 1 year term.
- This part of your money is not tied up for the full 5 years. You can withdraw the funds in the 1 Year Fixed Rate Bond at the end of the 12 month term.

5 Year Tracker Bond (40% of your investment)

- Your bond will pay out 100% of any percentage growth in the FTSE 100 Index, capped at a maximum 45% return, over the 5 year term. So, for example, if the FTSE 100 Index grew by 30% over the 5 year term, you would receive a 30% return. If the FTSE 100 Index grew by 50% over the 5 year term, you would receive a 45% return.
- You can benefit from the potential growth of the FTSE 100 Index without actually investing in it.
- Because you don't invest directly in the FTSE 100 Index, your capital is not at risk from any falls in the FTSE 100 Index.
- You'll also receive the Bank of England Base Rate[†] from your investment date until the issue date of the bond (16 December 2008).
- Interest earned will be paid upon maturity (2 December 2013).

Things you need to know

- This bond is not suitable for those who need access to their money before the end of the respective terms, as it is not possible to make withdrawals or to close the bond during the respective terms.
- Each issue of this type of bond has a limited amount of money that can be invested in it. If the limit is reached the issue will be closed, so apply early in case the issue is fully subscribed.
- You can invest anything from £500 to £10 million or £20 million for joint accounts.
- If the value of the FTSE 100 Index calculated by us at the maturity date is lower than the value calculated by us at the start of the 5 year term, you will not receive any interest on the 5 year Tracker part of your investment.
- The cost of capital protection for this product is included in the returns we offer.
- Don't forget inflation would reduce what you could buy in the future with your investment.
- Please note that Birmingham Midshires is not responsible for the advice and information you receive from your IFA.

Assessing the FTSE 100 Index performance

To assess the FTSE 100 Index performance over the period of your investment, we use a special averaging feature at the start and maturity of the bond. This averaging may restrict or improve the return you receive. Averaging is designed to protect your investment not just from an uncharacteristic high FTSE 100 Index fixing at the start of the bond (16 December 2008), but also from a low FTSE 100 Index fixing at the maturity date (2 December 2013). However, your return will be restricted if the opposite were true. The aim is to smooth the performance of the FTSE 100 Index over time, giving you even more peace of mind.

Your savings and tax

Basic rate tax will be deducted automatically from the interest paid to you. However, if you are a higher rate taxpayer you will have a further amount to pay. If you are entitled to have your interest without the deduction of tax, then please contact your Financial Advisor.

What happens at the end of the term?

We'll write to you prior to maturity for both the 1 Year Fixed Rate Bond and 5 Year Tracker Bond to inform you that your maturing funds will be invested into an easy access account of our choice. You then have the option to access your funds or re-invest into another one of our accounts.

Useful Information

Current and previous Bank of England interest rates can be found at www.bankofengland.co.uk/monetarypolicy/decisions/htm

Details of current best buy savings products can be found at www.moneyfacts.co.uk/savings/bestbuys/default.aspx

Information on the current and past performance of the FTSE 100 Index is available from www.bloomberg.co.uk

Past performance is not a guide to future performance.

Summary Box Key Product Information

Account name	5 Year 60:40 Tracker Guaranteed Equity Bond (Issue 1)
Interest rates (AERs)	60% of your funds are invested in the 1 year Fixed Rate Bond at 10.00% AER. The other 40% is invested in the 5 year Tracker Guaranteed Equity Bond and will receive 100% of any percentage growth in the FTSE 100 Index, capped at a maximum 45% return.
Tax status	Interest will be paid net of lower rate income tax (currently 20%) unless you register your account with us to receive gross interest.
Conditions for bonus payment	There is no bonus available on this account.
Withdrawal arrangements	Withdrawals are not allowed during the term of the bond.
Access	Your money is tied up for the full term, so you should only invest if you're confident you won't need access to your money during the term.

**This bond is a strictly limited issue and must close by
2 December 2008 or earlier if fully subscribed.**

*For more information or to apply,
please contact your Financial Advisor*