

## DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The Debt Securities will be issued under an indenture (the "Indenture") to be dated as of December 1, 1994 between the Bank, as issuer, and Bankers Trust Company, as trustee (the "Trustee"), a copy of which Indenture is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the Debt Securities and the Indenture and in any Prospectus Supplement do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Debt Securities and the Indenture. Defined terms used in this section but not otherwise defined in this Prospectus shall have the meanings assigned to them in the Indenture.

### General

The Indenture does not limit the amount of Debt Securities that may be issued thereunder and provides that Debt Securities may be issued from time to time in one or more series.

The Debt Securities will be the direct and unsecured subordinated obligations of the Bank, and the Debt Securities of each series will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise. The rights of holders of Debt Securities will, in the event of the winding up of the Bank, be subordinated in right of payment to claims of depositors and all other creditors of the Bank other than claims in respect of any liability of the Bank, howsoever arising, for the payment of money, the right to payment of which by the Bank by the terms thereof is, or is expressed to be, subordinated in the event of the winding up of the Bank to the claims of all or any of the creditors of the Bank, in the manner provided in the Indenture. The subordination provisions of the Indenture, and to which the Debt Securities are subject, are governed by English law.

Reference is made to the Prospectus Supplement for a description of the following terms of the Debt Securities in respect of which this Prospectus is being delivered: (i) the title and series of such Debt Securities; (ii) the limit, if any, upon the aggregate principal amount of such Debt Securities; (iii) the dates on which or periods during which such Debt Securities may be issued and the dates on which, or the range of dates within which, the principal of (and premium, if any, on) such Debt Securities will be payable or that the Debt Securities of such series will be perpetual; (iv) the rate or rates, or the method of determination thereof, at which such Debt Securities will bear interest, if any; the date or dates from which such interest will accrue; the dates on which such interest will be payable; and, in the case of Registered Securities (as defined below), the Regular Record Dates for the interest payable on such Interest Payment Dates; (v) the periods within which or the dates on which, the prices at which and the terms and conditions upon which such Debt Securities may be redeemed, if any, in whole or in part, at the option of the Bank or otherwise; (vi) any solvency or other conditions to which payments with respect to such Debt Securities are subject; (vii) if other than in Authorized denominations, the denominations in which such Debt Securities will be issuable; (viii) whether such Debt Securities are to be issued as Discount Securities (as defined below) and the terms and conditions of any such Discount Securities; (ix) provisions, if any, for the defeasance or discharge of such Debt Securities; (x) whether such Debt Securities are to be issued as securities in registered form without Coupons ("Registered Securities") or securities in bearer form ("Bearer Securities") or both and, if Bearer Securities are to be issued, whether Coupons will be attached thereto, whether Bearer Securities of the series may be exchanged for Registered Securities having the same terms and the circumstances under which, and the place or places at which, any such exchanges, if permitted, may be made; (xi) whether such Debt Securities are to be issued in whole or in part in the form of one or more global securities (each a "Global Security") and, if so, either the identity of the clearance system for such Global Security or Securities or that Book-Entry Debt Securities (as defined below) are to be issued with respect to such Global Securities; (xii) if a temporary Global Security is to be issued with respect to such Debt Securities, whether any interest thereon payable on an Interest Payment Date prior to the issuance of a permanent Global Security or a definitive Bearer Security of the series will be credited to the account of the persons entitled thereto on such Interest Payment Date; (xiii) if a temporary Global Security is to be issued with respect to such Debt Securities, the terms upon which beneficial interests in such temporary Global Security may be exchanged in whole or in part for beneficial interests in a permanent Global Security or for definitive Bearer Securities of the series and the terms upon which beneficial interests in a permanent Global Security, if any, may be

exchanged for definitive Bearer Securities having the same terms; (xiv) the currency or composite currency in which such Debt Securities are to be denominated; (xv) the currency or composite currency in which payment of the principal of (and premium, if any, on) and any interest on such Debt Securities will be made and the circumstances, if any, when such currency of payment may be changed; (xvi) if the principal of (and premium, if any, on) or any interest on such Debt Securities is to be payable, at the election of the Bank or a Holder, in a currency other than that in which such Debt Securities are denominated or stated to be payable, the periods within which, and the terms and conditions upon which, such election may be made and the time and the manner of determining the exchange rate between the currency in which such Debt Securities are denominated or stated to be payable and the currency in which such amounts are to be paid pursuant to such election; (xvii) if the amount of payments of principal of (and premium, if any, on) or any interest on such Debt Securities may be determined with reference to an index based on a currency or currencies other than that in which such Debt Securities are stated to be payable, the manner in which such amounts shall be determined; (xviii) if the amount of payments of principal of (and premium, if any, on) or any interest on such Debt Securities may be determined with reference to an index based on the prices, changes in prices, or differences between prices, of securities, currencies, intangibles, goods, articles or commodities, or otherwise by application of a formula, the manner in which such amounts shall be determined; (xix) any restrictive covenants provided for with respect to such Debt Securities; (xx) provisions, if any, for the exchange or conversion of such Debt Securities and (xxi) any other terms of such Debt Securities not inconsistent with the provisions of the Indenture under which they are issued.

Debt Securities of any series may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates, may be redeemable at a premium, or may be otherwise designated by the Bank as issued with original issue discount ("Discount Securities"). Certain tax considerations that may be relevant to holders of Discount Securities, undated or perpetual Debt Securities and Debt Securities providing for indexed, contingent or variable payments or payments in a currency other than the currency in which such Debt Securities are denominated will be discussed in the Prospectus Supplement relating thereto.

Debt Securities and Coupons will become void unless presented for payment within ten years with respect to a payment of principal and premium, if any, and five years with respect to a payment of interest. All monies paid by the Bank to a Paying Agent or the Trustee for the payment of principal of (and premium, if any, on) or any interest on any Debt Security that remain unclaimed at the end of two years after such principal, premium, or interest shall have become due and payable will be repaid to the Bank, and the Holder of such Debt Security or any Coupons appertaining thereto will thereafter look only to the Bank for payment thereof.

#### **Form; Settlement and Clearance**

*General.* Unless otherwise indicated in the applicable Prospectus Supplement, Debt Securities of a series will be issued only as a Global Security in bearer form, will be payable only in US dollars and title to such Global Security will pass by delivery. The form, settlement and clearance of the Debt Securities of such series shall be as described below, and references in such description to Debt Securities shall be to Debt Securities of such series and references to the Global Security and Book-Entry Debt Securities (as defined below) will be to the related Global Security and Book-Entry Debt Securities, respectively.

The Global Security will be deposited on issue with Marine Midland Bank, as book-entry depository (the "Book-Entry Depository"), which will hold the Global Security for the benefit of The Depository Trust Company ("DTC") and its participants pursuant to the terms of the Debt Security deposit agreement (the "Debt Security Deposit Agreement") dated as of December 1, 1994 among the Bank, the Book-Entry Depository and the holders and beneficial owners from time to time of Book-Entry Debt Securities. Pursuant to the Debt Security Deposit Agreement and an agreement between DTC and the Book-Entry Depository (the "DTC Agreement"), the Book-Entry Depository will issue one or more certificateless depository interests which together will represent a 100 per cent interest in the underlying Global Security ("Book-Entry Debt Securities"). Such Book-Entry Debt Securities will be issued to DTC, which will operate a book-entry system for Book-Entry Debt Securities. Unless and until the Global Security is exchanged in

whole for definitive Debt Securities, the Book-Entry Debt Securities held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Ownership of the Book-Entry Debt Securities will be limited to persons that have accounts with DTC ("Participants") or persons that hold interests through Participants ("Indirect Participants"). Upon the issuance by the Book-Entry Depository of the Book-Entry Debt Securities to DTC, DTC will credit, on its book-entry registration and transfer system, the Participants' accounts with the respective interests owned by such Participants. Ownership of Book-Entry Debt Securities will be shown on, and the transfer of such Book-Entry Debt Securities will be effected only through, records maintained by DTC (with respect to interests of Participants) and on the records of Participants (with respect to interests of Indirect Participants). The laws of some States may require that certain purchasers of securities that physical delivery of such securities in definitive form. Such limits and such laws may impair the ability of such purchasers to own, transfer or pledge Book-Entry Debt Securities or interests therein.

So long as the Book-Entry Depository, or its nominee, is the Holder of the Global Security, the Book-Entry Depository or such nominee, as the case may be, will be considered the sole Holder of such Global Security for all purposes under the Indenture. Except as set forth below under "— Definitive Debt Securities", Participants or Indirect Participants will not be entitled to have Debt Securities registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities in definitive form and will not be considered the owners or Holders thereof under the Indenture or the Debt Security Deposit Agreement. Accordingly, each person owning a Book-Entry Debt Security must rely on the procedures of the Book-Entry Depository and DTC and, if such person is not a Participant in DTC, on the procedures of the Participant through which such person owns its interest, to exercise any rights and obligations of a Holder under the Indenture or the Debt Security Deposit Agreement. See "— Action by Holders of Debt Securities".

DTC has advised the Bank as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its Participants deposit with DTC. DTC also facilitates settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. The Rules applicable to DTC and its Participants are on file with the Commission.

*Payments on the Global Debt Security.* Payments of any amounts in respect of the Global Security will be made through a Paying Agent to the Book-Entry Depository, as the Holder thereof. The Book-Entry Depository will pay an amount equal to each such payment to DTC, which will distribute such payments to its Participants. All such payments will be distributed without deduction or withholding for any UK taxes or other governmental charges, or if any such deduction or withholding is required to be made under the provisions of any applicable UK law or regulation, then, except as described under "Description of Subordinated Debt Securities — Additional Amounts," such additional amounts will be paid as may be necessary in order that the net amounts received by any Holder of the Global Security and by the owners of Book-Entry Debt Securities, after such deduction or withholding, will equal the net amounts that such Holder and owners would have otherwise received in respect of the Global Security or Book-Entry Debt Securities, as the case may be, absent such deduction or withholding. DTC, upon receipt of any such payment, will immediately credit Participants' accounts with payments in amounts proportionate to their respective

ownership of Book-Entry Debt Securities, as shown on the records of DTC. The Bank expects that payments by Participants to owners of Book-Entry Debt Securities held through such Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants.

None of the Bank, the Trustee, the Book-Entry Depository or any agent of any of the foregoing will have any responsibility or liability for any aspect of the records relating to or payments made by DTC on account of a Participant's ownership of the Book-Entry Debt Securities or for maintaining, supervising or reviewing any records relating to a Participant's interests in Book-Entry Securities.

*Redemption.* In the event the Global Security (or any portion thereof) is redeemed, the Book-Entry Depository will redeem, from the amount received by it in respect of the redemption of the Global Security, an equal amount of the Book-Entry Debt Securities issued to DTC. The redemption price payable in connection with the redemption of Book-Entry Debt Securities will be equal to the amount received by the Book-Entry Depository in connection with the redemption of the Global Security (or any portion thereof).

*Action by Holders of Debt Securities.* The Bank understands that under existing industry practices, if it requests any action of Holders of Debt Securities or if an owner of a Book-Entry Debt Security desires to give or take any action that a Holder is entitled to give or take under the Indenture or the owner of a Book-Entry Debt Security is entitled to give or take under the Debt Security Deposit Agreement, DTC would authorize the Participants owning the relevant Book-Entry Debt Securities to give or take such action, and such Participants would authorize Indirect Participants to give or take such action or would otherwise act upon the instructions of owners holding through them.

As soon as practicable after receipt by the Book-Entry Depository of notice of any solicitation of consents or request for a waiver or other action by the Holders of Debt Securities, the Book-Entry Depository will mail to DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date DTC will be entitled to instruct the Book-Entry Depository as to the consent, waiver or other action, if any, pertaining to the Debt Securities and (c) a statement as to the manner in which such instructions may be given. Upon the written request of DTC, the Book-Entry Depository shall endeavor insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Debt Securities in accordance with any instructions set forth in such request. DTC is expected to follow the procedures described above with respect to soliciting instructions from its Participants. The Book-Entry Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action relating to the Debt Security Deposit Agreement, the DTC Agreement or the Indenture.

*Reports.* The Book-Entry Depository will immediately send to DTC a copy of any notices, reports and other communications received by it relating to the Bank or the Debt Securities.

*Action by Book-Entry Depository.* Upon the occurrence of an Event of Default or a Default with respect to the Debt Securities, or in connection with any other right of the Holder of the Global Security under the Indenture, if requested in writing by DTC, the Book-Entry Depository will take such action as shall be requested in such notice, provided that the Book-Entry Depository has been offered reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request by the owners of Book-Entry Debt Securities.

*Amendment and Termination.* The Debt Security Deposit Agreement may be amended by agreement between the Bank and the Book-Entry Depository and the consent of DTC shall not be required in connection with any amendment to the Debt Security Deposit Agreement (i) to cure any formal defect, omission, inconsistency or ambiguity in such Debt Security Deposit Agreement, (ii) to add to the covenants and agreements of the Bank or the Book-Entry Depository, (iii) to effect the assignment of the Book-Entry Depository's rights and duties to a qualified successor, (iv) to comply with the US Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act or the US Investment Company Act of 1940, as amended, or any other applicable securities laws, (v) to modify the Debt Security Deposit Agreement in connection with an amendment to the Indenture that does not require the consent of the Holders of the Debt Securities of such series or (vi) to modify, alter, amend or supplement the Debt Security Deposit Agreement in any



other respect not inconsistent with such agreement which, in the opinion of counsel acceptable to the Bank, is not adverse to DTC or the beneficial owners of Book-Entry Debt Securities. No amendment which adversely affects any holder or beneficial owner of Book-Entry Debt Securities may be made to the Debt Security Deposit Agreement without the consent of such holder or beneficial owner.

If definitive Debt Securities are issued by the Bank in exchange for the entire Global Security, the Book-Entry Depository, as Holder of the Global Security, will surrender the Global Security against receipt of the definitive Debt Securities, distribute the definitive Debt Securities to the persons and in the amounts as specified by DTC and the Debt Security Deposit Agreement will terminate with respect to such series of Debt Securities. The Debt Security Deposit Agreement may also be terminated upon the resignation of the Book-Entry Depository if no successor has been appointed within 90 days as set forth under “— Resignation of Book-Entry Depository” below. Any definitive Debt Securities will be issued in accordance with the provisions described under “— Definitive Debt Securities” below.

*Resignation of Book-Entry Depository.* The Book-Entry Depository may at any time resign as Book-Entry Depository. If a successor depository meeting the requirements specified in the Debt Security Deposit Agreement has agreed to enter into arrangements with the same effect as the Debt Security Deposit Agreement, the Book-Entry Depository shall deliver the Global Security to that successor. If no such successor has so agreed within 90 days, the terms of the Debt Security Deposit Agreement will oblige the Book-Entry Depository to request the Bank to issued definitive Debt Securities. On receipt of such definitive Debt Securities, the Book-Entry Depository will surrender the Global Security and distribute such definitive Debt Securities in accordance with the directions of DTC. The Debt Security Deposit Agreement will then terminate with respect to such series of Debt Securities.

*Obligations of Book-Entry Depository.* The Book-Entry Depository will assume no obligation or liability under the Debt Security Deposit Agreement or the DTC Agreement other than to act in good faith without gross negligence or wilful misconduct in the performance of its duties thereunder.

*Settlement.* Initial settlement for the Debt Securities and settlement of any secondary market trades in the Debt Securities will be made in same-day funds. The Book-Entry Debt Securities will settle in DTC’s Same-Day Funds Settlement System.

*Definitive Debt Securities.* Owners of interests in the Book-Entry Debt Securities will be entitled to request and receive definitive Debt Securities in registered form in respect of such interest if DTC notifies the Bank and the Book-Entry Depository that it is unwilling to or unable to continue to hold the Book-Entry Debt Securities or if at any time it ceases to be a “clearing agency” registered under the Exchange Act and, in either case, a successor is not appointed by the Bank within 90 days. In addition, definitive Debt Securities in registered form shall be issued if at any time (a) the Book-Entry Depository notifies the Bank that it is unwilling or unable to continue as Book-Entry Depository with respect to the Global Security and no successor Book-Entry Depository is appointed within 90 days, (b) the Bank in its sole discretion determines that definitive Debt Securities shall be issued in registered form or (c) an owner of a beneficial interest in the Book-Entry Debt Securities requests, in writing delivered to the Book-Entry Depository upon the instructions of DTC, issuance of definitive Debt Securities in exchange for such interest. Definitive Debt Securities so issued will be issued in denominations of \$1,000 or integral multiples thereof and will be issued in registered form only, without Coupons. Such definitive Debt Securities shall be registered in the name or names of such person or persons as the Book-Entry Depository shall notify the Trustee based on the instructions of DTC. It is expected that such instructions may be based upon directions received by DTC from its Participants with respect to ownership of beneficial interests in the Book-Entry Debt Securities.

**Holders should be aware that under current UK tax law upon the issuance of Debt Securities in definitive registered form, such Holders may become subject to UK withholding tax on any payments of interest with respect to such Debt Securities as set forth under “Taxation — Taxation of Debt Securities.” If such definitive Debt Securities are issued pursuant to clause (c), above, no additional amounts will be payable with respect to such Debt Securities. See “Description of Subordinated Debt Securities — Additional Amounts.”**

### **Additional Amounts**

All amounts of principal of (and premium, if any, on) and interest on Debt Securities originally issued in bearer form will be paid by the Bank without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the United Kingdom or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the United Kingdom or any such subdivision or authority, the Bank will pay such additional amounts as may be necessary in order that the net amounts paid to the Holders of the Debt Securities or the Trustee, after such deduction or withholding, shall equal the respective amounts of principal, premium, if any, and interest to which the Holders of the Debt Securities or the Trustee are entitled, provided that the foregoing will not apply to any such tax, levy, impost or charge which would not be payable or due but for the fact that (a) the Holder of the Debt Securities is domiciled in, or is a national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the United Kingdom or such political subdivision, or otherwise having some connection with the United Kingdom other than the holding or ownership of a Debt Security, or the collection of principal, premium, if any, and interest on, or the enforcement of, a Debt Security or (b) the relevant Debt Security or Coupon or other means of payment of interest in respect of Debt Securities (i) is presented for payment in the United Kingdom or (ii) is presented for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the Holder would have been entitled to such additional amount on presenting the same for payment at the close of such 30 day period. Except as described in the Prospectus Supplement relating to the Debt Securities of a series, the Bank will not be obligated to pay additional amounts with respect to Debt Securities originally issued in, or converted by the Holder or beneficial owner of an interest in Book-Entry Debt Securities relating thereto into registered form. The Bank has agreed in the Indenture that at least one paying agent for each series of Debt Securities will be located outside the United Kingdom.

References herein to principal of (and premium, if any, on) and interest on Debt Securities shall be deemed also to refer to any additional amounts which may be payable under the foregoing provisions.

### **Redemption**

In addition to the redemption provisions set forth in the Prospectus Supplement relating to the Debt Securities of a series, the Debt Securities of any series may be redeemed, in whole but not in part, at the option of the Bank, on not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof, together with accrued interest, if any, to the date fixed for redemption (or, in the case of Discounted Securities, the accreted face amount thereof, together with accrued interest, if any, or, in the case of an index-linked or amortizing Debt Security, the amount specified in the related Prospectus Supplement), if, at any time, the Bank shall determine that (a) in making payment under such Debt Securities in respect of principal (or premium, if any) or interest it would become obligated to pay additional amounts as provided in the Indenture and as described under "Description of Debt Securities — Additional Amounts" above as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or taxing authority thereof or therein affecting taxation, or change in the official application or interpretation of such laws, or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the date of original issuance of the Debt Securities of such series or (b) the payment of interest in respect of such Debt Securities would be treated as a "distribution" within the meaning of Section 209 of the Income and Corporation Taxes Act 1988 of the United Kingdom (or any statutory modification or reenactment thereof for the time being) as a result of a change in or amendment to the laws of the United Kingdom or any such political subdivision or tax authority, or any change in the official application or interpretation of such laws, which change or amendment becomes effective on or after the date of original issuance of the Debt Securities of such series; provided, however, that, in the case of (a) above, no notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts were a payment in respect of such Debt Securities then due.

The Bank and any of its subsidiary undertakings may, in accordance with applicable law, repurchase Debt Securities for its or their account. Under the practices of the Bank of England at the date of this Prospectus, any optional tax redemption and any other optional redemption or repurchase requires the prior consent of the Bank of England.

#### **Modification and Waiver**

The Indenture contains provisions for convening meetings of Holders of any series of Debt Securities to consider matters affecting their interests.

Modifications of and amendments to the Indenture with respect to the Debt Securities may be made by the Bank and the Trustee, without the consent of the Holders of the Debt Securities of such series for certain enumerated purposes and otherwise with the consent of the Holders of a majority in principal amount of the Debt Securities of such series then Outstanding; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby: (a) change the Stated Maturity of the principal of, or any installment of interest or additional amounts payable on, any Debt Security or Coupon; (b) reduce the principal amount (including the amount payable on a Discount Security upon the acceleration of the Maturity thereof) of, or any interest on or any premium payable upon redemption of, or additional amounts payable on, any Debt Security or Coupon; (c) change any obligation of the Bank to pay additional amounts; (d) change the place of payment or currency or composite currency of denomination or payment of the principal of (any premium, if any, on) or any interest payable on any Debt Security or Coupon; (e) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security or Coupon; (f) reduce the percentage of the aggregate principal amount of the Outstanding Debt Securities of such series, the consent of the Holders of which is required for modification or amendment of the applicable Indenture with respect to waiver of compliance with certain provisions of the applicable Indenture or waiver of certain defaults; (g) change any obligations of the Bank to maintain an office or agency in the places and for the purposes required by the Indenture; (h) change in any manner adverse to the interests of the Holders of the Debt Securities of such series the subordination provisions of any series of Debt Securities; (i) reduce the requirements contained in the Indenture for quorum or voting; or (j) modify or affect in any manner adverse to the interests of the Holders of the Debt Securities of such series the terms and conditions of the obligations of the Bank regarding the due and punctual payment of the principal, premium, if any, and interest thereon.

The Holders of a majority in principal amount of the Outstanding Debt Securities of a series may, on behalf of all Holders of Debt Securities of that series, waive, insofar as that series is concerned, compliance by the Bank with certain restrictive provisions of the Indenture before the time for such compliance. The Holders of a majority in principal amount of the Outstanding Debt Securities of a series may, on behalf of all Holders of Debt Securities of that series, waive any past Event of Default or Default under the applicable Indenture with respect to Debt Securities of that series, except a default in the payment of any installment of interest upon any Debt Securities of that series and except an Event of Default or Default in respect of a covenant or provision, the modification or amendment of which would require the consent of the Holder of each Outstanding Debt Security affected thereby.

#### **Defaults and Event of Default**

With respect to Debt Securities of a series, it shall be an Event of Default only if an order is made by an English court which is not successfully appealed within 30 days after the date such order was made for the winding up of the Bank or an effective resolution is validly adopted by the shareholders of the Bank for the winding up of the Bank. If an Event of Default occurs and is continuing with respect to a series of Debt Securities, the Trustee may, and if so requested by the Holders of at least 25 per cent in principal amount of the Outstanding Debt Securities of such series shall, declare the principal amount together with accrued but unpaid interest (or, in the case of Discount Securities, the accreted face amount, together with accrued interest, if any, or, in the case of an index-linked Debt Security, the amount specified in the related Prospectus Supplement) with respect to the Debt Securities of such series due and payable immediately;

provided that after such declaration, but before a judgment or decree based on such declaration has been obtained, the Holders of a majority in principal amount of the Outstanding Debt Securities of such series may (under certain circumstances) rescind and annul such declaration.

Subject to the succeeding paragraph, it shall be a Default with respect to Debt Securities of a series if (a) any installment of interest upon any Debt Security of such series or any related Coupon is not paid when due and such failure continues for 14 days or (b) all or any part of the principal of (or premium, if any, on) any Debt Security of such series as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise, is not paid and such failure continues for 7 days. If a Default occurs, the Trustee may institute proceedings in England (but not elsewhere) for the winding up of the Bank. Notwithstanding the foregoing, failure to make any payment in respect of a series of Debt Securities shall not be a Default in respect of such Debt Securities if such payment is withheld or refused (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) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given as to such validity or applicability at any time during the said period of 14 days (in the case of payment of interest) or 7 days (in the case of payment of all or part of principal or premium) by independent legal advisers acceptable to the Trustee; provided, however, that the Trustee may, by notice to the Bank, require the Bank to take such action (including but not limited to proceedings for a declaration by a court of competent jurisdiction) as the Trustee may be advised in an opinion of counsel, upon which opinion the Trustee may conclusively rely, is appropriate and reasonable in the circumstances to resolve such doubt, in which case, 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 any such resolution determines that the relative payment can be made without violating any applicable law, regulation or order then the proceeding sentence shall cease to have effect and the payment shall become due and payable on the expiration of 14 days (in the case of payment of interest) or 7 days (in the case of payment of all or part of principal or premium) after the Trustee gives written notice to the Bank informing it of such resolution.

The Bank shall be entitled in relation to any series of Debt Securities, at any time up to the 7th day (in the case of principal or premium) or 14th day (in the case of interest) after the original due date for payment of any amount of principal, premium (if any) or interest in respect of such series of Debt Securities, to give written notice to the Trustee (a "Deferral Notice") deferring the due date for payment of such amount for a period of six months from the original due date for payment, and, on the giving of such notice, the due date for payment of such amount shall be so deferred. Interest on the amount so deferred during such period shall be payable at the rate prevailing immediately before the original due date for payment. Any amount the due date of which is deferred pursuant to the above shall not be treated as due for any purpose (including, without limitation, for the purposes of ascertaining whether or not a Default has occurred) until the deferred due date. The Trustee shall, as soon as practicable after receipt of a Deferral Notice, notify (at the expense of the Bank) all Holders of Debt Securities of the relevant series thereof.

After the end of each fiscal year, the Bank will furnish to the Trustee a certificate of certain officers as to the absence of an Event of Default or a Default under the Indenture or specifying any such default.

No remedy against the Bank other than as specifically provided by the Indenture shall be available to the Trustee, the Holders of Debt Securities or Coupons appertaining to any Debt Securities in respect of any series of Debt Securities whether for the recovery of amounts owing in respect of such Debt Securities or the Coupons appertaining thereto or under the Indenture or in respect of any breach by the Bank of any obligation, condition or provision under the Indenture or such Debt Securities or Coupons or otherwise, and no Holder of any Debt Security will have any right to institute any proceeding with respect to the Indenture, the Debt Securities or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default or Default and unless also the Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of such series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceedings as



trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of such series direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default or Default shall occur and be continuing with respect to the Debt Securities of a series, the Trustee will be under no obligation to any of the Holders of the Debt Securities of such series, including without limitation to take any of the actions referred to above, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of a series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of such series.

The Indenture provides that the Trustee will, within 90 days after the occurrence of an Event of Default or Default with respect to the Debt Securities of a series, give to the Holders of Debt Securities of the affected series notice of such Event of Default or Default, unless such Event of Default or Default shall have been cured or waived, provided that, the Trustee shall be protected in withholding such notice if it reasonably determines in good faith that the withholding of such notice is in the interest of such Holders.

Notwithstanding anything herein to the contrary, nothing shall impair the right of a Holder (absent the consent of such Holder) to institute suit for any payments due but unpaid with respect to its Debt Securities.

#### **Consolidation, Merger and Sale of Assets**

The Bank, without the consent of the Holders of any of the Debt Securities, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any corporation organized under the laws of the United Kingdom, provided that (a) any successor corporation expressly assumes the Bank's obligations under the Debt Securities and the Indenture, (b) after giving effect to the transaction, no Event of Default or Default and no event which, after notice or lapse of time or both, would become an Event of Default or Default shall have occurred and be continuing and (c) certain other conditions are satisfied.

#### **Assumption of Obligations**

With respect to a series of Debt Securities, a holding company of the Bank or any subsidiary of the Bank or such holding company (each a "successor entity") may assume the obligations of the Bank (or any corporation which shall have previously assumed the obligations of the Bank); provided, that (i) the successor entity shall expressly assume such obligations by an amendment to the Indenture, in a form satisfactory to the Trustee, and the Bank shall, by an amendment to the Indenture, unconditionally guarantee all of such successor entity's obligations under the Debt Securities of such series and the Indenture, as so modified by such amendment (provided, however, that, for the purposes of the Bank's obligation to pay additional amounts as provided, and subject to the limitations as set forth, in the Indenture and as described under the section headed "Description of Debt Securities — Additional Amounts" above, references to such successor entity's country of organization will be added to the references to the United Kingdom); (ii) the successor entity shall confirm in such amendment to the Indenture that the successor entity will pay to the Holders such additional amounts as provided by, and subject to the limitations set forth in, the Indenture and as described under the section headed "Description of Debt Securities — Additional Amounts" above (provided, however, that for these purposes such successor entity's country of organization will be substituted for the references to the United Kingdom), and (iii) immediately after giving effect to such assumption of obligations, no Event of Default or Default and no event which, after notice or lapse of time or both, would become an Event of Default or Default with respect to Debt Securities of such series shall have occurred and be continuing. Upon any such assumption, the successor entity will succeed to, and be substituted for, and may exercise every right and power of, the Bank under the Indenture with respect to the Debt Securities of such series with the same effect as if the successor entity had been named as the Bank under the Indenture.

### **Defeasance and Discharge**

If so specified in the applicable Prospectus Supplement with respect to Debt Securities of a series that are payable only in US dollars, the Bank will be discharged from any and all obligations in respect of the Debt Securities of such series (with certain exceptions) if, at any time, the Bank shall have delivered to the Trustee for cancellation all Debt Securities of such series theretofore authenticated, or all Debt Securities of such series not theretofore delivered to the Trustee for cancellation have or will become due and payable in accordance with their terms within one year or are to be, or have been, called for redemption as described under “Description of Debt Securities — Redemption” above within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption and, in either case, the Bank shall have irrevocably deposited with the Trustee, in trust, (i) cash in US dollars in an amount, or (ii) US Government Obligations which through the payment of interest thereon and principal thereof will provide not later than the due date of any payment, cash in US Dollars in an amount, or (iii) any combination of (i) and (ii), sufficient to pay all the principal of, and interest on, the Debt Securities of such series on the dates such payments are due in accordance with the terms of the Debt Securities of such series and all other amounts payable by the Bank under the Indenture.

The Indenture also provides that the Bank need not comply with certain covenants (“covenant defeasance”) of the Indenture with respect to Debt Securities of a series if (i) the Bank irrevocably deposits, in trust with the Trustee, (a) cash in US dollars in an amount, or (b) US Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide cash in US dollars in an amount, or (c) any combination of (a) and (b), sufficient to pay all the principal of, and interest on, the Debt Securities of such series on the date such payments are due in accordance with the terms of such Debt Securities of such series; (ii) no Event of Default or Default or no event which, after notice or lapse of time or both, would become an Event of Default or a Default with respect to the Debt Securities of such series shall have occurred and be continuing on the date of such deposit; (iii) the Bank delivers to the Trustee an Officer’s Certificate stating that all conditions precedent relating to such covenant defeasance have been complied with; and (iv) certain other conditions are complied with.

### **Concerning the Trustee**

The Indenture provides that, except during the continuance of an Event of Default or a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. In the event that an Event of Default or Default shall occur (and shall not have been cured or waived), the Trustee will be required to exercise its power with the degree of care and skill of a prudent person in the conduct of such person’s own affairs.

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, authorization, or substitution as aforesaid) the Trustee shall have regard to the interests of the Holders of the Debt Securities of a series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders of Debt Securities or Coupons appertaining thereto resulting from the individual Holder of Debt Securities or Coupons appertaining thereto being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holders of Debt Securities or Coupons appertaining thereto be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders.

### **Governing Law**

Except as stated above, the Indenture and the Debt Securities of each series will be governed by and construed in accordance with the laws of the State of New York. See “Description of Debt Securities — General”.

### **Jurisdiction; Consent to Service**

The Bank has consented to the jurisdiction of the courts of the State of New York and the US courts located in the City of New York with respect to any action that may be brought in connection with the Indenture or the Debt Securities of any series and has appointed Marine Midland Bank as agent for service of process.

### **DESCRIPTION OF DOLLAR PREFERENCE SHARES**

The following is a summary of certain terms and provisions of the Dollar Preference Shares of any series. Certain terms and provisions of the Dollar Preference Shares of a particular series offered in the form of ADSs of a corresponding series by any Prospectus Supplement will be summarized in the Prospectus Supplement relating to the Dollar Preference Shares of such series. If so indicated in the Prospectus Supplement, the terms and provisions of the Dollar Preference Shares of a particular series may differ from the terms set forth below. The summaries set forth below and in any Prospectus Supplement do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Memorandum and Articles of Association of the Bank (the "Articles of Association") and the resolutions adopted, or to be adopted, by the Board of Directors of the Bank or an authorized committee thereof establishing the rights, preferences, privileges, limitations and restrictions relating to the Dollar Preference Shares of any series or of a particular series. Copies of the Articles of Association and such resolutions or forms of resolutions have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

#### **General**

Under the Articles of Association, the Board of Directors of the Bank or an authorized committee thereof is authorized to provide for the issuance of Dollar Preference Shares in one or more series with such dividend rights, liquidation value per share, redemption provisions, voting rights and other rights, preferences, privileges, limitations and restrictions as shall be set forth in resolutions providing for the issue thereof adopted by the Board of Directors or such authorized committee. The Dollar Preference Shares shall rank *pari passu inter se*, with the pounds sterling-denominated preference shares of £1 nominal value each in the capital of the Bank (the "Sterling Preference shares") and with all other shares expressed to rank *pari passu* therewith. In September 1993, the Bank issued 10,000,000 Dollar Preference Shares, Series A1 and 10,000,000 Dollar Preference Shares, Series A2 and in February 1995, the Bank issued 7,000,000 Dollar Preference Shares, Series B1 and 7,000,000 Dollar Preference Shares, Series B2. As of the date of this Prospectus, the Bank does not have outstanding any series of sterling preference shares.

The Dollar Preference Shares of any series will be US dollar-denominated in terms of nominal value per share, dividend rights, redemption price and liquidation value per share. The Dollar Preference Shares of any series will, when issued, be fully paid and non-assessable. For each Dollar Preference Shares of a particular series issued, an amount equal to its nominal value will be credited to the Bank's issued share capital account, and an amount equal to the difference, if any, between its issue price and its nominal value will be credited to the Bank's share premium account. Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, the Dollar Preference Shares of any series will have a nominal value of \$0.01 per share.

The Dollar Preference Shares of any series will initially be issued in bearer form and deposited with the Depositary referred to under "Description of American Depositary Receipts" against payment for such Dollar Preference Shares. The Dollar Preference Shares of a particular series deposited under the Deposit Agreement referred to under "Description of American Depositary Receipts" will be represented by ADSs of a corresponding series evidenced by ADRs. Dollar Preference Shares of any series withdrawn from deposit under the Deposit Agreement will be evidenced by share certificates in registered form without dividend coupons. Such share certificates will be delivered at the time of withdrawal. Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units will be represented by units of ADSs of each corresponding series evidenced by units of ADRs of each corresponding series, and upon withdrawal from deposit such units of Dollar Preference Shares will be evidenced by one share certificate in registered form, without dividend coupons, which will be delivered at the time of withdrawal.

and may be exchanged by the holder thereof for separate share certificates in registered form, without dividend coupons, evidencing the Dollar Preference Shares of each such series. Dollar Preference Shares of each such series that are withdrawn from deposit will be transferable separately.

Title to Dollar Preference Shares of any series in registered form will pass by transfer and registration on the register for the Dollar Preference Shares of such series. Dollar Preference Shares of any series in registered form will not be exchangeable, in whole or in part, for Dollar Preference Shares of such series in bearer form. Each registration of transfer of Dollar Preference Shares of any series will be effected by entry on the register for the Dollar Preference Shares of such series kept by the registrar at its office in the United Kingdom. See “Registrar and Paying Agent” below. Any such registration of transfer will be effected without charge to the person requesting such registration, but subject to payment by such person of any taxes, stamp duties or other governmental charges payable in connection therewith. See “Taxation — Taxation of Dollar Preference Shares and ADRs — UK Stamp Taxes”.

There are no restrictions under the Articles of Association or under English law, as currently in effect, that limit the right of non-resident or foreign owners, as such, to acquire freely Dollar Preference Shares of any series or, when entitled to vote Dollar Preference Shares of a particular series, to vote freely such Dollar Preference Shares. There are currently no English laws or regulations that would affect the remittance of dividends or other payments to non-resident holders of Dollar Preference Shares of any series.

The Dollar Preference Shares of any series will have the dividend rights, rights upon liquidation, redemption provisions and voting rights set forth below, unless otherwise provided in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series. Reference is made to the Prospectus Supplement relating to the Dollar Preference Shares of a particular series for specific terms, including (i) the designation of the Dollar Preference Shares of such series and the number of shares offered in the form of ADSs; (ii) the liquidation value per share of the Dollar Preference Shares of such series; (iii) the price at which the Dollar Preference Shares of such series will be issued; (iv) the dividend rate (or method of calculation thereof) and the dates on which dividends will be payable; (v) any redemption provisions; and (vi) any other rights, preferences, privileges, limitations and restrictions related to the Dollar Preference Shares of such series.

#### **Dividends**

The holders of the Dollar Preference Shares of a particular series will be entitled to receive, when, as and if declared by the Board of Directors of the Bank or an authorized committee thereof, out of the distributable profits of the Bank, cash dividends on such dates and at such rate or rates or in such amounts as are set forth in, or as are determined by the method of calculation described in, the Prospectus Supplement relating to the Dollar Preference Shares of such series.

The Board of Directors of the Bank or an authorized committee thereof is required to declare and pay in full on each dividend payment date dividends on each series of Dollar Preference Shares unless, in the opinion of the Directors or such committee, (i) payment of any such dividend would breach or cause a breach of the Bank of England’s capital adequacy requirements applicable to the Bank or Midland, or (ii) the distributable profits of the Bank are insufficient to enable the payment in full of dividends on such series of Dollar Preference Shares and dividends on any other shares of the Bank stated to be payable on the same date as the dividends on such series of Dollar Preference Shares and ranking *pari passu* as to dividends with the Dollar Preference Shares of such series.

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, if the distributable profits of the Bank are, in the opinion of the Board of Directors of the Bank or an authorized committee thereof, insufficient to enable payment in full of dividends on the Dollar Preference Shares of a series and of any dividends payable on the same date on any other shares ranking *pari passu* as to dividends with the Dollar Preference Shares of such series, the Bank is required to the extent of distributable profits (if any) (after payment in full, or the setting aside of a sum required for payment in full, of all dividends payable on any shares ranking in priority to such Dollar Preference Shares), to pay dividends on the Dollar Preference Shares of such series and such other shares *pro rata* to the amount of the cash



and may be exchanged by the holder thereof for separate share certificates in registered form, without dividend coupons, evidencing the Dollar Preference Shares of each such series. Dollar Preference Shares of each such series that are withdrawn from deposit will be transferable separately.

Title to Dollar Preference Shares of any series in registered form will pass by transfer and registration on the register for the Dollar Preference Shares of such series. Dollar Preference Shares of any series in registered form will not be exchangeable, in whole or in part, for Dollar Preference Shares of such series in bearer form. Each registration of transfer of Dollar Preference Shares of any series will be effected by entry on the register for the Dollar Preference Shares of such series kept by the registrar at its office in the United Kingdom. See "Registrar and Paying Agent" below. Any such registration of transfer will be effected without charge to the person requesting such registration, but subject to payment by such person of any taxes, stamp duties or other governmental charges payable in connection therewith. See "Taxation — Taxation of Dollar Preference Shares and ADRs — UK Stamp Taxes".

There are no restrictions under the Articles of Association or under English law, as currently in effect, that limit the right of non-resident or foreign owners, as such, to acquire freely Dollar Preference Shares of any series or, when entitled to vote Dollar Preference Shares of a particular series, to vote freely such Dollar Preference Shares. There are currently no English laws or regulations that would affect the remittance of dividends or other payments to non-resident holders of Dollar Preference Shares of any series.

The Dollar Preference Shares of any series will have the dividend rights, rights upon liquidation, redemption provisions and voting rights set forth below, unless otherwise provided in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series. Reference is made to the Prospectus Supplement relating to the Dollar Preference Shares of a particular series for specific terms, including (i) the designation of the Dollar Preference Shares of such series and the number of shares offered in the form of ADSs; (ii) the liquidation value per share of the Dollar Preference Shares of such series; (iii) the price at which the Dollar Preference Shares of such series will be issued; (iv) the dividend rate (or method of calculation thereof) and the dates on which dividends will be payable; (v) any redemption provisions; and (vi) any other rights, preferences, privileges, limitations and restrictions related to the Dollar Preference Shares of such series.

#### **Dividends**

The holders of the Dollar Preference Shares of a particular series will be entitled to receive, when, as and if declared by the Board of Directors of the Bank or an authorized committee thereof, out of the distributable profits of the Bank, cash dividends on such dates and at such rate or rates or in such amounts as are set forth in, or as are determined by the method of calculation described in, the Prospectus Supplement relating to the Dollar Preference Shares of such series.

The Board of Directors of the Bank or an authorized committee thereof is required to declare and pay in full on each dividend payment date dividends on each series of Dollar Preference Shares unless, in the opinion of the Directors or such committee, (i) payment of any such dividend would breach or cause a breach of the Bank of England's capital adequacy requirements applicable to the Bank or Midland, or (ii) the distributable profits of the Bank are insufficient to enable the payment in full of dividends on such series of Dollar Preference Shares and dividends on any other shares of the Bank stated to be payable on the same date as the dividends on such series of Dollar Preference Shares and ranking *pari passu* as to dividends with the Dollar Preference Shares of such series.

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, if the distributable profits of the Bank are, in the opinion of the Board of Directors of the Bank or an authorized committee thereof, insufficient to enable payment in full of dividends on the Dollar Preference Shares of a series and of any dividends payable on the same date on any other shares ranking *pari passu* as to dividends with the Dollar Preference Shares of such series, the Bank is required to the extent of distributable profits (if any) (after payment in full, or the setting aside of a sum required for payment in full, of all dividends payable on any shares ranking in priority to such Dollar Preference Shares), to pay dividends on the Dollar Preference Shares of such series and such other shares *pro rata* to the amount of the cash

dividend then owing in respect of them (together with arrears, if any, of cumulative dividends on any shares ranking *pari passu* as to dividends with the Dollar Preference Shares of such series). The Companies Act 1985 of Great Britain defines “distributable profits” as, in general terms and subject to adjustments, the accumulated, realized profits less the accumulated, realized losses of the Bank.

The amount of dividends payable on the Dollar Preference Shares of any series for each dividend period will be computed based upon the liquidation value per share of the Dollar Preference Shares of such series by annualizing the applicable dividend amount or rate and dividing by the number of dividend periods in a year, except that the amount of dividends payable for any dividend period shorter or longer than a full dividend period will be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period.

Dividends on the Dollar Preference Shares of any series will be non-cumulative. If a dividend, or any part thereof, is not required to be paid, and is not paid, on a dividend payment date in respect of the Dollar Preference Shares of a particular series, then the holders of Dollar Preference Shares of such series shall have no claim in respect of such non-payment, or to any interest thereon, whether or not dividends on the Dollar Preference Shares of such series are paid for any future dividend period.

Dividends on the Dollar Preference Shares of any series will be payable to the Depositary and to the record holders thereof as they appear on the register for such Dollar Preference Shares on such record dates, which will be not less than 15 nor more than 60 days prior to the relevant dividend payment dates, as will be fixed by the Board of Directors of the Bank or an authorized committee thereof. Subject to any applicable fiscal or other laws and regulations, each such payment will be made by dollar check drawn on a bank in London or in The City of New York and mailed to the record holder thereof at such holder’s address as it appears on the register for such Dollar Preference Shares. In the event that any date on which dividends are payable on the Dollar Preference Shares of any series is not a day on which banks in London and in The City of New York are open for business and on which foreign exchange dealings can be conducted in London and in The City of New York (a “Business Day”), then payment of the dividend payable on such date will be made on the next succeeding Business Day, without any interest or other payment in respect of any such delay.

If the dividend payable on the Dollar Preference Shares of any series has not been paid in full on the most recent dividend payment date, no dividends (other than a *pro rata* dividend declared and paid on *pari passu* shares as described above) will be declared, paid or set aside for payment on any other share capital of the Bank ranking, as to dividends, *pari passu* with or after the Dollar Preference Shares of any series for any period, unless dividends have been or contemporaneously are paid in full, or a sum sufficient for the payment thereof set aside for such payment in full, on the Dollar Preference Shares of such series in respect of the then-current dividend period.

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, if the dividend payable on the Dollar Preference Shares of any series has not been paid in full on the most recent dividend payment date, the Bank may not deem, purchase or otherwise acquire for any consideration any other share capital of the Bank ranking, as to repayment of the Bank’s capital, *pari passu* with or after such Dollar Preference Shares and may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition thereof until such time as dividends have been paid in full, or a sum shall have been set aside for such payment in full, on such Dollar Preference Shares in respect of three consecutive quarterly dividend periods.

Except as provided herein and in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, the holders of the Dollar Preference Shares of any series will have no right to participate in the profits of the Bank.

#### **Liquidation rights**

In the event of a return of capital in respect of a winding up of the Bank or otherwise (but not, unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, on a redemption or purchase by the Bank of any of its share capital), the holders of the Dollar

Preference Shares of a particular series at the time outstanding will be entitled to receive, in US dollars out of the assets of the Bank available for distribution to shareholders, together with the holders of any other shares of the Bank ranking, as regards payment of capital, *pari passu* with such series and before any distribution of assets is made to holders of any class of shares of the Bank ranking after the Dollar Preference Shares of such series as regards repayment of capital, liquidating distributions in an amount equal to the liquidation value per share of the Dollar Preference Shares of such series plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then-current dividend period to the date of commencement of the winding up of the Bank or the date of any such other return of capital, as the case may be. If, upon any return of capital in a winding up of the Bank, the amounts payable with respect to the Dollar Preference Shares of any series and any other preference shares of the Bank ranking as to any such distribution *pari passu* with the Dollar Preference Shares of such series are not paid in full, the holders of the Dollar Preference Shares of such series and of such other preference shares will share ratably in any such distribution of assets of the Bank in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Dollar Preference Shares of such series will have no right or claim to any of the remaining assets of the Bank and will not be entitled to any further participation or return of capital in a winding up.

### **Redemption**

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, the Dollar Preference Shares of any series may be redeemable, in whole or in part, at the option of the Bank, at any time and from time to time after the fifth anniversary of the date of original issue of the Dollar Preference Shares of such series, at the price which is equivalent to the liquidation value per share of the Dollar Preference Shares of such series, provided that the Bank has paid, on or before the date fixed for redemption, any special dividend as may be required in respect of such redemption as may be set forth in the Prospectus Supplement relating to the Dollar Preference Shares of such series. In addition, upon any redemption of a Dollar Preference Share, the Bank will pay the aggregate of any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then-current dividend period.

In the event that less than all of the outstanding Dollar Preference Shares of a particular series are to be redeemed, the Dollar Preference Shares of such series to be redeemed will be selected by the Bank by a drawing in the presence of the Bank's auditors.

If Dollar Preference Shares of any series are to be redeemed, a notice of redemption will be mailed to the Depositary and each record holder of Dollar Preference Shares to be redeemed, not less than 30 nor more than 60 days prior to the date fixed for redemption thereof. Each notice of redemption will include a statement setting forth (i) the redemption date, (ii) the particular Dollar Preference Shares to be redeemed, (iii) the redemption price and (iv) the place or places where share certificates or share warrants in respect of such Dollar Preference Shares are to be presented for redemption and payment of the redemption monies is to be effected. No defect in the notice of redemption or mailing thereof will affect the validity of the redemption proceedings.

As from the relevant redemption date, the dividend on the Dollar Preference Shares due for redemption shall cease to accrue, except on any such Dollar Preference Share in respect of which payment of the redemption monies due shall be improperly withheld or refused. In such case, the dividend, at the rate then applicable, shall be deemed to have continued and shall continue to accrue from the relevant redemption date to the date of payment of such redemption monies, and such Dollar Preference Share shall not be treated as having been redeemed until the redemption monies in question, together with any accrued dividend thereon, shall have been paid. Subject to any applicable fiscal or other laws and regulations, payments in respect of the redemption of Dollar Preference Shares of any series will be made by dollar check drawn on, or, at the request of the holder, by transfer to a dollar account maintained by the payee with, a bank in London or in The City of New York against presentation and surrender of the relevant share certificates at the office of the paying agent located in the United Kingdom. In the event that any date on