

which any payment in respect of the redemption of Dollar Preference Shares of any series is to be made is not a Business Day, then payment of the redemption price 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.

Subject to certain limitations contained in the Articles of Association, applicable law (including, without limitation, the US federal securities laws) and applicable regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"), the Bank may at any time and from time to time purchase outstanding Dollar Preference Shares of any series, in the open market, by tender to all holders of Dollar Preference Shares of that series alike or by private agreement. Any Dollar Preference Shares of any series purchased by the Bank for its own account (other than in the ordinary course of the business of dealing in securities) will be cancelled by the Bank and will no longer be issued and outstanding.

Under existing Bank of England requirements, no redemption or purchase of any preference shares of any series will be made by the Bank without the prior consent of the Bank of England. Such consent is currently conditional on the redemption or purchase being effected, so far as permitted by applicable law, out of, or financed out of, the proceeds of an issue of securities approved for such purpose by the Bank of England and made simultaneously with, or subsequent to, the redemption or purchase, or as part of a formal reduction of capital of the Bank, or in connection with a merger or amalgamation involving the Bank.

Voting Rights

Except as set forth in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, the holders of Dollar Preference Shares of any series will not be entitled to attend or vote at any general meeting of shareholders of the Bank.

The Bank will send to each holder of Dollar Preference Shares of any series all notices of general meetings of the Bank which such holders are entitled to attend and vote. Each such notice will include a statement setting forth (i) the date of such meeting, (ii) a description of any resolution to be proposed for adoption at such meeting on which such holders are entitled to vote and (iii) instructions for the delivery of proxies. A holder of Dollar Preference Shares of any series who is not registered with an address in the United Kingdom and who has not supplied to the Bank an address within the United Kingdom for the purpose of the giving of notices is not entitled to receive notices of meetings from the Bank. For a description of notices to be given by the Bank to the Depository as the holder of Dollar Preference Shares of any series deposited under the Deposit Agreement (as defined below) and notices to be given by the Depository to the holders of ADRs evidencing ADSs of the series representing such deposited Dollar Preference Shares, see "Description of American Depositary Receipts — Reports and Notices".

Variation of Rights

Subject to applicable law, the rights attached to any series of Dollar Preference Shares may be varied or abrogated only with the written consent of the holders of 75 per cent in nominal value of the outstanding Dollar Preference Shares of such series or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding Dollar Preference Shares of such series. An extraordinary resolution will be adopted if passed by a majority of 75 per cent of those holders voting in person or by proxy at the meeting. The quorum required for any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the outstanding Dollar Preference Shares of the particular series affected, except that, if at any adjourned meeting the foregoing quorum requirement is not met, then any one holder present in person or by proxy will constitute a quorum.

The rights attached to a series of Dollar Preference Shares will be deemed to be varied by the creation or issue of any shares of any class, or any securities convertible into shares of any class, ranking as regards rights to participate in the profits or assets of the Bank in priority to such series of Dollar Preference Shares.

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, if the most recent dividend payable on the Dollar Preference Shares of any series shall have been paid in full, the rights attached to such series of Dollar Preference Shares will not be deemed to be varied by the creation or issue of any further series of Dollar Preference Shares, any sterling preference

shares, or any other preference shares or other shares, or any securities convertible into shares of any class, of the Bank ranking as regards participation in the profits or assets of the bank *pari passu* with the Dollar Preference Shares of such series, whether carrying identical rights or different rights in any respect including as to dividend, premium on a return of capital, redemption or conversion or denominated in US dollars or any other currency.

Registrar and Paying Agent

HSBC Holdings plc, located at 10 Lower Thames Street, London EC3R 6AE, England, will act as registrar for the Dollar Preference Shares of any series, and The Secretary's Office, Midland Bank plc, also located at 10 Lower Thames Street, London EC3R 6AE, England, will act as paying agent for the Dollar Preference Shares of any series.

DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

The following is a summary of certain terms and provisions of the deposit agreement (the "Deposit Agreement") pursuant to which the ADRs are to be issued. The Deposit Agreement is among the Bank, The Bank of New York, as depositary, or any other bank or trust company acting as the depositary for Dollar Preference Shares of a particular series (the "Depositary"), and all holders from time to time of ADRs issued thereunder. The summary set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Deposit Agreement, a copy of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. Copies of the Deposit Agreement are available for inspection at the corporate trust office of the Depositary, which is presently located at 101 Barclay Street, New York, New York 10286.

American Depositary Receipts

ADRs evidencing ADSs will be issuable by the Depositary pursuant to the Deposit Agreement. ADRs will evidence ADSs of a particular series, which will represent Dollar Preference Shares of a corresponding series. Upon initial issuance, each ADS of a particular series will represent one Dollar Preference Share of the corresponding series deposited with the Depositary or its custodial agent (the "Custodian"). An ADR may evidence any number of whole ADSs. 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.

Deposit and Withdrawal of Deposited Securities

Upon notification of deposit with the Custodian of share certificates for Dollar Preference Shares of a particular series, properly endorsed and accompanied, if required by law, by a duly executed instrument of transfer or endorsement and upon payment of the charges provided in the Deposit Agreement and subject to the terms thereof, the Depositary will execute and deliver at its corporate trust office to the person or persons specified by the depositor in writing upon payment of the fees, charges and taxes provided in the Deposit Agreement, an ADR or ADRs registered in the name of such person or persons evidencing the number of ADSs of the series corresponding to the Dollar Preference Shares of such series issuable in respect of such deposit. In the case of Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units, the Depositary will execute and deliver, on one certificate, the ADRs of each corresponding series evidencing the number of ADSs of each corresponding series issuable in respect of such deposit.

Upon surrender of properly endorsed ADRs or units of ADRs at the corporate trust office of the Depositary and upon payment of the fees, charges and taxes provided in the Deposit Agreement and subject to the terms thereof, a holder of such ADRs or units of ADRs is entitled to delivery, to or upon the order of such holder, at the corporate trust office of the Depositary or at the office of the Custodian in London, of the deposited certificates representing the Dollar Preference Shares and any other property or documents of title at the time represented by the surrendered ADRs or units of ADRs. See "Description of Dollar Preference Shares — General". The forwarding of share certificates and other documents of title for such delivery at the corporate trust office of the Depositary will be at the risk and expense of the ADR holder.

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units may be withdrawn from deposit only as units.

The Depositary reserves the right to issue ADRs of a particular series prior to the receipt of Dollar Preference Shares of such series subject to the conditions specified in the Deposit Agreement, which require persons to whom such ADRs are so issued or delivered to, among other things, furnish certain written representations and provide collateral to the Depositary. Neither the Depositary nor the Custodian may lend deposited Dollar Preference Shares.

Dividends and Other Distributions

The Depositary will distribute all cash dividends or other cash distributions that it receives in respect of deposited Dollar Preference Shares of a particular series to the holders of ADRs entitled thereto in proportion to their respective holdings of ADSs of the series representing such Dollar Preference Shares. The cash amount distributed will be reduced by any amounts required to be withheld by the Bank, the Depositary or the Custodian on account of applicable taxes. See "Taxation".

In the event that the Bank makes any distribution other than in cash or Dollar Preference Shares of a particular series in respect of any deposited Dollar Preference Shares of such series, the Depositary will distribute the property received by it to the holders of ADRs entitled thereto in proportion to their respective holdings of ADSs of the series representing such Dollar Preference Shares. If a distribution by the Bank in respect of deposited Dollar Preference Shares of a particular series consists of a dividend in, or free distribution of, Dollar Preference Shares of such series, the Depositary may, with the Bank's approval, and will, if the Bank so requests, distribute to the holders of ADRs entitled thereto, in proportion to their respective holdings of ADSs of the series representing such Dollar Preference Shares, additional ADRs for an aggregate number of ADSs of such series representing the number of Dollar Preference Shares of the corresponding series distributed in respect of the deposited Dollar Preference Shares of such corresponding series represented by such dividend or free distribution. If additional ADRs are not so distributed, each outstanding ADS of such series will thereafter represent the additional Dollar Preference Shares of the corresponding series distributed in respect of the deposited Dollar Preference Shares of such corresponding series represented by such ADSs prior to such dividend or free distribution.

If the Depositary determines that any distribution in property (including Dollar Preference Shares of a particular series or rights to subscribe thereto) cannot be made proportionately among the holders of ADRs entitled thereto or if for any other reason (including any requirement that the Bank or the Depositary withhold an amount on account of applicable taxes) the Depositary determines that such distribution is not feasible, the Depositary may dispose of all or a portion of such property in such amounts and in such manner, by public or private sale, as the Depositary deems equitable and practicable, and the Depositary will distribute the net proceeds of any such sale or the balance of any such property after deduction of any taxes required to be withheld by the Bank or the Depositary to the holders of ADRs entitled thereto.

Upon any change in nominal value, scrip issue, consolidation, sub-division or any other reclassification of Dollar Preference Shares of a particular series or upon any recapitalization, reorganization, merger, amalgamation or consolidation or sale of assets affecting the Bank or to which it is a party, any securities that shall be received by the Depositary or the Custodian in exchange for or in conversion of or in respect of Dollar Preference Shares of a particular series will be treated as new Dollar Preference Shares of such series under the Deposit Agreement and outstanding ADSs of the series representing such Dollar Preference Shares shall thenceforth represent the right to receive new Dollar Preference Shares of such series so received unless additional ADRs for an aggregate number of the ADSs, representing such Dollar Preference Shares are delivered as in the case of a stock dividend, or unless the Depositary calls for the surrender of outstanding ADRs to be exchanged for new ADRs.

Redemption of ADSs

In the event that the Bank exercises any right of redemption in respect of Dollar Preference Shares of a particular series, the Depositary will redeem, from the amounts received by the Depositary in respect of the

redemption of deposited Dollar Preference Shares of such series, a number of ADSs of the series representing such Dollar Preference Shares which corresponds to the number of deposited Dollar Preference Shares of such series so redeemed. The redemption price per ADS will correspond to the redemption price per share payable with respect to the Dollar Preference Shares so redeemed. If less than all of the outstanding Dollar Preference Shares of a particular series are to be redeemed, the ADSs to be redeemed will be selected by lot or *pro rata* as may be determined by the Depositary. In the event that the Bank exercises rights of redemption in respect of units of Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units, the Depositary will redeem a number of units of ADSs of each corresponding series which corresponds to the number of deposited units of Dollar Preference Shares so redeemed. The redemption price per unit of ADSs will correspond to the redemption price per unit payable with respect to such units of Dollar Preference Shares so redeemed, and if less than all of such units of Dollar Preference Shares are to be redeemed, the units of ADSs to be redeemed will be selected by lot or *pro rata* as may be determined by the Depositary.

Record Dates

Whenever any dividend or other distribution shall become payable or shall be made in respect of Dollar Preference Shares of a particular series, or whenever any Dollar Preference Shares of a particular series are to be redeemed, or whenever rights shall be issued, or whenever the Depositary causes a change in the number of Dollar Preference Shares of a particular series that are represented by each ADS of the corresponding series, or whenever the Depositary shall receive notice of any general meeting of shareholders of the Bank at which holders of Dollar Preference Shares of a particular series are entitled to vote or of any meeting of holders of Dollar Preference Shares of a particular series, the Depositary will fix a record date for the determination of the holders of ADRs evidencing ADSs of the series representing such Dollar Preference Shares who are entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof or whose shares are to be redeemed, or to give instructions for the exercise of voting rights at any such meeting, or to determine the date on or after which each ADS of the series representing Dollar Preference Shares of a particular series will represent a changed number of Dollar Preference Shares of such series subject to the provisions of the Deposit Agreement.

Voting of the Underlying Deposited Securities

Upon receipt of notice of any meeting of shareholders of the Bank at which holders of Dollar Preference Shares of a particular series are entitled to vote or of any meeting of holders of Dollar Preference Shares of a particular series, the Depositary, if requested in writing by the Bank, will, as soon as practicable thereafter, notify in writing the record holders of ADRs evidencing ADSs of the series representing such Dollar Preference Shares by a notice which shall contain such information as is set forth in such notice of meeting, a statement that the record holders of such ADRs at the close of business on a specified record date are entitled under the Deposit Agreement, subject to any applicable provisions of English law and of the Articles of Association, to instruct the Depositary in writing as to the exercise of the voting rights, if any, pertaining to the Dollar Preference Shares of the series represented by their respective ADSs, and a brief statement as to the manner in which such instructions may be given. The Depositary has agreed that it will endeavor, insofar as practicable, to vote or cause to be voted the Dollar Preference Shares so represented in accordance with the instructions of record holders of ADRs set forth in a written request and received on or before the date established by the Depositary for such purpose. The Depositary has agreed not to vote the Dollar Preference Shares so represented except in accordance with written instructions from the record holders of ADRs.

Restrictions on Transfer and Redeposit

Unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular series, in the case of Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units, the ADSs of each series corresponding to such Dollar Preference Shares will not be separately transferable and will be transferable only as units of ADSs. In addition, unless otherwise specified in the Prospectus Supplement relating to the Dollar Preference Shares of a particular

series, holders of Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units will not be entitled, following a withdrawal of such Dollar Preference Shares from deposit under the Deposit Agreement, to redeposit such Dollar Preference Shares.

Inspection of Transfer Books

The Depositary will keep books, at its corporate trust office, for registration and transfer of ADRs evidencing ADSs of each series that at all reasonable times will be open for inspection by the holders of such ADRs, provided that such inspection shall not be for the purpose of communicating with holders of ADRs in the interest of a business or object other than the business of the Bank or a matter related to the Deposit Agreement or such ADRs.

Reports and Notices

The Bank will furnish the Depositary with its annual reports, which will include a description of operations and annual audited consolidated financial statements prepared in conformity with UK GAAP, together with a reconciliation of net income and shareholders' funds to amounts estimated to be in accordance with US GAAP, and interim reports which will include unaudited interim consolidated financial information prepared in conformity with UK GAAP and which, if the Bank so elects, may contain a reconciliation of net income and shareholders' funds to amounts estimated to be in accordance with US GAAP. The Depositary will make available at its corporate trust office for inspection by holders of ADRs evidencing ADSs of a particular series any reports and communications received from the Bank that are both (a) received by the Depositary as the holder of Dollar Preference Shares of the corresponding series and (b) made generally available to the holders of such Dollar Preference Shares by the Bank (including the annual report and accounts of the Bank). The Depositary will also mail copies of such reports to ADR holders when furnished by the Bank as provided in the Deposit Agreement. In addition, if the Depositary receives notice that the Bank has not furnished the Commission with public reports, documents or other information required by the Exchange Act, the Depositary will furnish promptly to the Commission copies of all annual or other periodic reports and other notices or communications which the Depositary receives as holder of Dollar Preference Shares from the Bank and which are not otherwise furnished to or filed with the Commission pursuant to any other requirement of the Commission.

On or before the first date on which the Bank gives notice, by publication or otherwise, of any meeting at which holders of the Dollar Preference Shares of a particular series are entitled to vote, or of any reconvening of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions on or the offering of any rights or any redemption of Dollar Preference Shares of a particular series, the Bank shall transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Dollar Preference Shares of such series. The Bank will arrange for the prompt transmittal by the Bank to the Depositary and the Custodian of such notices, and, if requested in writing by the Bank, the Depositary will arrange for the mailing, at the Bank's expense, of copies thereof to all holders of ADRs evidencing ADSs of the series representing such Dollar Preference Shares.

Amendment and Termination of the Deposit Agreement

The form of the ADRs evidencing ADSs of a particular series and the Deposit Agreement may at any time and from time to time be amended by agreement between the Bank and the Depositary in any respect which they may deem necessary or desirable. Any amendment that imposes or increases any fees or charges (other than the fees of the Depositary for the execution and delivery or the cancellation of ADRs and taxes and other governmental charges), or that otherwise prejudices any substantial existing right of holders of outstanding ADRs evidencing ADSs of a particular series, will not take effect as to any such ADRs until the expiration of 30 days after notice of such amendment to the Deposit Agreement has been given to the record holders of such ADRs. Every holder of any such ADRs at the time any such amendment so becomes effective, if such holder has been given such notice, will be deemed by continuing to hold such ADRs to consent and agree to such amendment and to be bound by the Deposit Agreement or the ADRs as amended thereby. In no event may an amendment impair the right of any holder of ADRs evidencing ADSs of a particular series to surrender such ADRs and receive therefor the Dollar Preference Shares of the corresponding series and other property represented thereby.

Whenever so directed by the Bank, the Depositary has agreed to terminate the Deposit Agreement as to ADRs evidencing ADSs of a particular series by mailing notice of such termination to the record holders of all such outstanding ADRs at least 30 days prior to the date fixed in such notice for such termination. The Depositary may likewise terminate the Deposit Agreement as to ADRs evidencing ADSs of a particular series at any time 60 days after the Depositary shall have delivered to the Bank a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment as provided in the Deposit Agreement. If any ADRs evidencing ADSs of a particular series remain outstanding after the date of any such termination, the Depositary thereafter will discontinue the registration of transfers of ADRs evidencing ADSs of such series, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the Deposit Agreement with respect to such ADRs, except that the Depositary will continue to collect dividends and other distributions pertaining to the Dollar Preference Shares of the corresponding series and any other property represented by the ADRs evidencing ADSs of such series, will sell rights as provided in the Deposit Agreement and will continue the delivery of Dollar Preference Shares of the corresponding series, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for ADRs surrendered to the Depositary. At any time after the expiration of two years from the date of termination of the Deposit Agreement as to the ADRs evidencing ADSs of a particular series, the Depositary may sell the Dollar Preference Shares of the corresponding series and any other property represented by such ADRs and may thereafter hold the net proceeds, together with any other cash then held by it under the Deposit Agreement in respect of such ADRs, without liability for interest, for the *pro rata* benefit of the holders of ADRs evidencing ADSs of such series that have not theretofore been surrendered. In the case of Dollar Preference Shares of more than one series that are deposited under the Deposit Agreement as units, the Deposit Agreement may be terminated as to the ADRs of any series corresponding to the Dollar Preference Shares of any such series so deposited only by terminating the Deposit Agreement with respect to the ADRs of each series corresponding to the Dollar Preference Shares of each such series so deposited and otherwise in accordance with the foregoing procedures.

Except as provided above, an amendment of the form of ADRs evidencing ADSs of a particular series, or an amendment of the Deposit Agreement, or the termination thereof, as to ADRs evidencing ADSs of a particular series, will not necessarily occur concurrently with, or result in, an amendment or termination, as the case may be, as to ADRs evidencing ADSs of any other series.

Notwithstanding anything in the Deposit Agreement to the contrary, the substitution of the Depositary, or the termination of the Deposit Agreement with respect to any series of ADRs representing Dollar Preference Shares of a series that is a component of a unit will result in the substitution of the Depositary or the termination of the Deposit Agreement with respect to all of the ADRs representing the Dollar Preference Shares of all other series comprising such unit.

Charges of Depositary

The Bank will, subject to the provisions of the Deposit Agreement, pay the fees, if any, and reasonable expenses of the Depositary in connection with the initial issuance of ADRs evidencing ADSs of a particular series, and will also pay all other fees and reasonable expenses of the Depositary and those of any ADR registrar or co-registrar or co-transfer agent under the Deposit Agreement including any UK Stamp Duty Reserve Tax on the issue of Dollar Preference Shares of the corresponding series to the Custodian, if any. See "Taxation — UK Stamp Taxes". However, the Bank shall not be liable for stock transfer or other taxes and other governmental charges, any applicable transfer or registration fee on deposit or withdrawal of Dollar Preference Shares, charges of the Depositary in connection with the conversion of foreign currency into US dollars or certain cable, telex, facsimile transmission and delivery charges. Subject to the foregoing, the Depositary will charge the party to whom ADRs are issued, and the party surrendering ADRs, \$5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADRs issued or surrendered.

General

Neither the Depositary nor the Bank will be liable to the holders of ADRs if prevented or forbidden or delayed by any person or future law of any country or by any governmental authority, any present or future

provision of the Articles of Association or of the Dollar Preference Shares of any series or any act of God or war or other circumstances beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Bank and the Depositary under the Deposit Agreement are expressly limited to performing without negligence or bad faith their respective duties specified therein.

If any ADSs of a particular series representing Dollar Preference Shares of a corresponding series are listed on one or more stock exchanges in the United States, the Depositary will act as registrar or, upon the request or with the approval of the Bank, appoint a registrar or one or more co-registrars, for registration of the ADRs evidencing such ADSs in accordance with any requirements of such exchange or exchanges. Such registrars or co-registrars may be removed and substitute or substitutes appointed by the Depositary upon the request or with the approval of the Bank.

The ADRs evidencing ADSs of any series are transferable on the books of the Depositary, provided, however, that the Depositary may close the transfer books as to ADRs evidencing ADSs of a particular series at any time or from time to time when deemed expedient by it in connection with the performance of its duties or at the request of the Bank. As a condition precedent to the execution and delivery, registration of transfer, consolidation, sub-division or surrender of any ADR or unit of ADRs, or withdrawal of Dollar Preference Shares of each corresponding series, the Bank, the Depositary or the Custodian may require payment from the presenter of such ADR or the depositor of such Dollar Preference Shares of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such taxes or charges and fees with respect to Dollar Preference Shares being deposited or withdrawn) and payment of any applicable fees payable as provided in the Deposit Agreement. The Depositary may withhold the execution and delivery or registration of transfer of any ADR or any distribution of, or related to, Dollar Preference Shares until it has received such proof of citizenship, residence, exchange control approval or other information as it may deem necessary or proper. The execution and delivery, or transfer of ADRs generally, may be suspended during any period when the transfer books of the Depositary are closed or if any such action is deemed necessary or advisable by the Depositary or the Bank at any time or from time to time. The surrender of ADRs of any series and withdrawal of Deposited Securities (as such term is defined in the Deposit Agreement) may not be suspended except for (1) temporary delays caused by closing the transfer books of the Depositary or the Bank or the deposit of Dollar Preference Shares of the corresponding series in connection with voting at a shareholders' meeting or the payment of dividends, (2) the payment of fees, taxes and similar charges, and (3) compliance with any laws or governmental regulations relating to the ADRs of such series or to the withdrawal of Deposited Securities.

Upon the request or the approval of the Bank, the Depositary may appoint one or more co-transfer agents for the registration of ADRs. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by holders of ADRs or persons entitled thereto and will be entitled to protection and indemnity to the same extent as the Depositary.

The Deposit Agreement requires that record holders of ADRs comply with the Bank's requests for information as to the capacity in which such holders own or owned ADRs and regarding the identity of any other person interested in such ADRs and the nature of such interest and various other matters.

TAXATION

The following is a summary of the principal US federal and UK tax considerations of the acquisition, ownership and disposition of Dollar Preference Shares, ADSs or Debt Securities by a holder that qualifies as a resident of the United States for purposes of, and is fully entitled to benefits under, the United States — United Kingdom Double Taxation Convention relating to income (the "Treaty"). Holders entitled to Treaty benefits ("Eligible US Holders") are defined below.

For purposes of this summary, the term "Eligible US Holder" means a beneficial owner of a Dollar Preference Share, ADS or Debt Security (and of the dividends or interest paid thereon) that (i) is an individual resident of the United States, a United States corporation, or a partnership, estate or trust (but only to the extent the income of such partnership, estate or trust is subject to United States taxation either in

its hands or in the hands of its partners or beneficiaries); and (ii) is not subject to one of the limitations on Treaty benefits listed below. Limitations on Treaty benefits apply to, and the term “Eligible US Holder” does not include, any holder (i) that is also resident in the United Kingdom for UK tax purposes; (ii) that controls, directly or indirectly, (and, if a corporation, alone or together with one or more associated corporations) 10 per cent or more of the voting stock of the Bank; or (iii) whose holding of Dollar Preference Shares, ADRs or Debt Securities is effectively connected with a permanent establishment in the United Kingdom through which it carries on business or with a fixed base in the United Kingdom from which it performs independent personal services. Limitations on Treaty benefits also apply, in certain circumstances, to, and the term “Eligible US Holder” does not include, a holder that (A) is an investment or holding company, 25 per cent or more of the capital of which is owned, directly or indirectly, by persons that are not individual citizens or residents of the United States; (B) is exempt from federal income tax on dividends or interest received from the Bank; or (C) owns 10 per cent or more of the class of shares of the Bank which includes the Dollar Preference Shares. Prospective purchasers that are not Eligible US Holders should consult their own tax advisers.

This summary deals only with original purchasers that will hold Dollar Preference Shares, ADSs or Debt Securities as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, insurance companies, dealers in securities, persons holding Dollar Preference Shares, ADSs or Debt Securities as a position in a “straddle” for US tax purposes and persons that have a “functional currency” other than US dollar.

This Prospectus indicates that the Bank may issue Debt Securities with payment terms determined with reference to a specified index or formula or providing for payments in a currency other than the currency in which such Debt Securities are denominated. The summary does not discuss the tax considerations applicable to any such Debt Securities providing for indexed, contingent or variable payments, undated or perpetual Debt Securities and Debt Securities providing for payments in a currency other than the currency in which such Debt Securities are denominated. Any such considerations will be discussed in the applicable Prospectus Supplement.

The statements regarding US and UK tax laws set forth below are based on the laws in force on the date of this Prospectus, which are subject to change. Prospective purchasers should consult their own advisers as to the tax consequences of the purchase, ownership and disposition of Dollar Preference Shares, ADSs or Debt Securities in light of their particular circumstances, including the effect of any state, local or other national laws.

For purposes of the Treaty and the US Internal Revenue Code of 1986, as amended (the “Code”), Eligible US Holders of ADRs will be treated as the beneficial owners of the Dollar Preference Shares represented by such ADRs.

Taxation of Dollar Preference Shares and ADRs

Dividends

Procedures for Claiming Treaty Payments. Under existing UK law, the Bank is required when paying a dividend to shareholders to account to the UK Inland Revenue for advance corporation tax. Individual shareholders who are resident in the United Kingdom are entitled to a tax credit (the “associated UK tax credit”) in respect of a cash dividend paid on a Dollar Preference Share (including any amount equal to the amount of accrued cash dividends paid in connection with a redemption, other than in a winding up of the Bank) equal to 25 per cent of the cash dividend (i.e., the equivalent of 20 per cent of the sum of the dividend and the associated UK tax credit).

Under the Treaty and under current UK law, an Eligible US Holder will be entitled to receive, in respect of a cash dividend, a payment (a “Treaty Payment”) equal to the amount of the associated UK tax credit (the “Tax Credit Amount”) to which an individual resident in the United Kingdom for UK tax purposes would have been entitled had he received the dividend, reduced by a UK withholding tax equal to 15 per cent of the sum of the cash dividend and the Tax Credit Amount. For example, at the current rate of the associated UK tax credit which is equal to 25 per cent of the cash dividend, an Eligible US Holder that receives from the

Bank a cash dividend payment of \$80 is entitled to a Treaty Payment of \$5 (i.e., the Tax Credit Amount of \$20 reduced by 15 per cent of the sum of the cash dividend and the Tax Credit Amount, or \$15), resulting in a net receipt after UK taxes but before applicable US taxes of \$85.

However, if the Bank were to pay a dividend out of non-UK source profits it could elect for such dividend to be treated as a "foreign income dividend" with the result that (i) the Bank would have a reduced, or no, liability to pay advance corporation tax, and (ii) such dividend would not carry an associated UK tax credit. If such an election were to be made by the Bank under the "foreign income dividend" rules, an Eligible US Holder receiving a "foreign income dividend" would not be entitled under the Treaty to receive a Treaty Payment. Further disclosure regarding the application of these rules to particular issues of Dollar Preference Shares will be provided in the applicable Prospectus Supplement.

Arrangements have been made with the UK Inland Revenue for Treaty Payments relating to cash dividends paid by the Bank in respect of Dollar Preference Shares evidenced by ADRs to be paid to certain Eligible US Holders directly from the Bank, rather than the UK Inland Revenue, at the same time as, and together with, such cash dividends. The foregoing arrangements (the "H Arrangements") generally will apply to Eligible US Holders other than estates or trusts, any of the beneficiaries of which are not US residents. The operation of these arrangements will depend on whether an Eligible US Holder holds an ADR directly or through an agent, dealer or broker participating in DTC. In the former case, an Eligible US Holder will be required to complete a declaration on the back of the dividend check as to the conditions entitling it to such Treaty Payment and to present the dividend check for payment within three months of its date of issue. In the latter case, an equivalent form of declaration is required to be made by the agent, dealer or broker through which the ADR is held. Prospective purchasers of Dollar Preference Shares should be aware that the UK Inland Revenue will reserve the right to alter or cancel any such arrangements at any time without notice.

Tax-exempt investors and other classes of holders listed in the penultimate sentence of the paragraph defining the term "Eligible US Holder", may, if they satisfy requirements specified in the Treaty, be entitled to receive a Treaty Payment, but will not be eligible for the H Arrangements described above. Such holders generally must make a separate claim for payment in the manner and at the times prescribed in US Revenue Procedures 80-18, 1980-1 C.B. 623 and 81-58, 1981-2 C.B. 678. The first claim for a payment under these procedures is made by sending the appropriate UK form in duplicate to the Director of the Internal Revenue Service Center where the holder filed its most recent tax return. Forms may be obtained from the Foreign Operations District, Internal Revenue Service, Assistant Commissioner (International), 950 L'Enfant Plaza South, S.W., Washington D.C. 20024, Attention: Taxpayers' Service. Because a claim for payment under these procedures is not considered made until the UK tax authorities receive the appropriate form from the Internal Revenue Service, forms should be sent to the Internal Revenue Service well before the end of the applicable six-year limitation period. Any claims for payment under these procedures after the first claim should be filed directly with the UK Financial Intermediaries and Claims Office, Fitz Roy House, P.O. Box 46, Nottingham NG2 1BD.

Taxation of US Holders. An Eligible US Holder will realize dividend income for US federal income tax purposes in an amount equal to the sum of any cash dividend paid by the Bank and the associated Tax Credit Amount. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

If the Bank declares and pays a special dividend in connection with the redemption of Dollar Preference Shares of any series, that special dividend will be treated for UK tax purposes and, although no authority directly addresses the issue, should be treated for US tax purposes in the same manner as any other dividends paid by the Bank.

Subject to certain generally applicable limitations, the difference between the Tax Credit Amount associated with a cash dividend paid by the Bank and the Treaty Payment to which an Eligible US Holder is entitled will be treated for US tax purposes as a foreign tax that may be claimed as a credit against the holder's US federal income tax liability or, at the election of the holder, may be deducted in computing taxable income. For purposes of computing the foreign tax credit allowable under the Code, any dividend

paid by the Bank (including the related Tax Credit Amount) will constitute foreign source income but, with certain exceptions, will be treated separately, together with other items of “passive” or “financial services” income.

Special rules apply for purposes of determining whether an Eligible US Holder will be able to use foreign tax credits effectively. The particular circumstances of each holder will affect its ability to benefit from foreign tax credits. Accordingly, Eligible US Holders should consult their own tax advisers concerning the application of the foreign tax credit rules in light of their particular circumstances. Examples of Eligible US Holders that may be limited, in whole or in part, in their ability to use the foreign tax credit, include: (i) holders that are not currently liable for US federal income tax; (ii) holders that have elected to deduct foreign taxes in lieu of crediting them; (iii) certain regulated investment companies; (iv) holders that are subject to the alternative minimum tax; (v) holders with foreign losses carried over from prior years; and (vi) holders that have, or are members of affiliated groups of corporations that have, substantial indebtedness relative to their gross assets, or that have other substantial allocable expenses or losses.

The amount of UK taxes paid in respect of the Dollar Preference Shares that can be credited by an Eligible US Holder against its US federal income tax liability generally will be limited to the portion of such US federal income tax liability that is attributable to the category of income that includes the dividends (*e.g.*, passive income). Certain expenses and other deductions (including interest deductions) must be allocated to foreign source income, and such allocation may reduce, possibly to zero, the foreign tax credit that a holder may claim with respect to dividend income from the Dollar Preference Shares. The allocation of expenses and other deductions will restrict an Eligible US Holder’s use of the foreign tax credit in those circumstances where the US effective tax rate on the dividend income, after such allocation, is less than 15 per cent. For example, if an Eligible US Holder is a corporation taxable in the United States at a nominal rate of 35 per cent and recognizes \$100 of dividend income on the Dollar Preference Shares, approximately \$57 of expenses and other deductions would have to be allocated to such dividend income before the holder would be limited in its ability, as a result of such allocation, to credit the full UK withholding tax. Pursuant to temporary regulations of the US Treasury department, however, an Eligible US Holder who is an individual is not required to allocate interest expense to foreign source income in any taxable year in which his foreign source income does not exceed a gross amount of \$5,000.

Prospective purchasers of Dollar Preference Shares or ADRs should be aware that an Eligible US Holder’s after-tax annual return arising from a receipt of dividends on the Dollar Preference Shares will depend upon, in addition to the rates of US federal, state and local income taxes applicable to such holder, (i) the continuation in force of the UK and US tax rules (including the Treaty) for determining the amount and treatment of the Treaty Payment and the related UK withholding tax, and (ii) the holder’s ability to utilize the credit in respect of any amount treated as UK withholding tax against its US federal income tax liability.

Capital Gains

A Holder of a Dollar Preference Share or ADR that is not resident (nor, in the case of an individual, ordinarily resident) in the United Kingdom normally will not be liable for UK taxation on any capital gain realized on the disposal (including redemption) of a Dollar Preference Share or ADR unless such Holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and such Dollar Preference Share or ADR is or has been used, or acquired, for the purposes of such trade, profession or vocation, or such branch or agency.

Upon the sale or exchange of a Dollar Preference Share or ADR, an Eligible US Holder will recognize capital gain or loss for US federal income tax purposes in an amount equal to the difference between the amount realized and the holder’s tax basis in the Dollar Preference Shares or ADR. A holder’s tax basis in a Dollar Preference Share or ADR which is acquired as part of a unit comprising more than one Dollar Preference Share or ADR will generally equal the relevant fair market value of such Dollar Preference Share or ADR at the time the unit was acquired.

The redemption by the Bank of a Dollar Preference Share will constitute a taxable transaction on which an Eligible US Holder generally will recognize capital gain or loss for US federal income tax purposes (assuming that such holder does not own, and is not deemed to own, any other equity interest in the Bank). The amount of the gain or loss will be equal to the difference between (i) the total redemption price (including amounts in respect of any related Tax Credit Amount, but excluding any amounts treated as dividends for US federal income tax purposes) and (ii) the tax basis of the Dollar Preference Share or ADR redeemed. Eligible US Holders are advised to consult their own tax advisers as to the US federal income tax consequences of a redemption of Dollar Preference Shares.

UK Stamp Taxes

No UK stamp duty will be payable on the transfer of, or agreement to transfer, an ADR or beneficial ownership of an ADR, provided that the ADR and any separate instrument of transfer or written agreement to transfer is executed and remains at all times outside the United Kingdom. No UK stamp duty reserve tax will be payable in respect of an agreement to transfer ADRs or beneficial ownership of ADRs.

UK stamp duty or stamp duty reserve tax will normally be payable on or in respect of transfers of the Dollar Preference Shares and accordingly any holder who acquires or intends to acquire Dollar Preference Shares is advised to consult his own professional advisers in relation to UK stamp duty and stamp duty reserve tax.

No UK stamp duty or stamp duty reserve tax will be payable on the issue by the Bank of Dollar Preference Shares to the Custodian or the Depository.

Taxation of the Debt Securities

Payments of Interest

Payments of interest on a Debt Security will be exempt from withholding or deduction for or on account of UK tax under the provisions of UK tax law relating to "quoted Eurobonds" provided that the Global Security continues to be quoted on the New York Stock Exchange or on the London Stock Exchange, that the Global Security remains in bearer form and payments are not made by or through a paying agent which is in the United Kingdom.

In other cases, and in particular if the Debt Security is in registered form, interest would be paid after deduction of UK income tax at the basic rate (currently 25 per cent), although Eligible US Holders should normally be eligible to recover in full any UK tax withheld from payments of interest to which they are beneficially entitled by making a claim under the Treaty. Alternatively, such a claim may be made by an Eligible US Holder in advance of a payment of interest whereupon the Inland Revenue may, if it accepts the claim, authorize subsequent payments to be made to that Eligible US Holder without withholding of UK income tax. Claims for repayment must be made within six years of the end of the UK year of assessment (generally April 5 in each year) to which the income relates and must be accompanied by the original statement showing the amount of income tax deducted provided by the Bank (or any nominee holding the Debt Security on the Eligible US Holder's behalf) when the interest payment was made.

Payments of interest on a Debt Security will constitute UK source income for UK tax purposes and, as such, remain subject to UK income tax by direct assessment even though paid gross. However, an Eligible US Holder who would be entitled to receive payments free of withholding or deduction under the Treaty will not be subject to such income tax. In addition, under long standing Inland Revenue practice (published as Extra-Statutory Concession B.13), which operates subject to the existence of any special circumstances and to that Concession not being used for the purposes of tax avoidance, no action is taken to pursue any such income tax liability where the beneficial owner of the interest is regarded as not resident in the United Kingdom for the whole of the relevant year of assessment except where such person (i) is chargeable in the name of a trustee or other representative mentioned in Section 72 Taxes Management Act 1970 or in the name of an agent or branch in the United Kingdom having the management or control of the interest; or (ii) seeks to claim relief in respect of taxed income from UK sources other than under the Treaty; or (iii) is chargeable to UK corporation tax on the income of a UK branch or agency to which the interest is attributable; or (iv) is chargeable to UK income tax on the profits of a trade carried on in the United

Kingdom to which the interest is attributable. In those situations, the provisions relating to payments of Additional Amounts set out in the Indenture (see “Description of Subordinated Debt Securities — Additional Amounts”) would not apply. Extra-Statutory Concession B.13 will not apply after April 5, 1996 but from that date the tax charge on UK source interest received by persons not regarded as resident in the United Kingdom for UK tax purposes will normally be limited to the tax, if any, deducted at source on payment of such interest (other than in certain exceptional circumstances such as where the investment on which the interest is paid is managed by an investment manager acting, broadly, on non-arm’s length terms).

As indicated under “Description of the Debt Securities — Redemption”, the Bank will be entitled to redeem Debt Securities in certain circumstances in the event the payment of interest on such Debt Securities would be treated as a distribution for UK tax purposes. Payments of interest on a Debt Security will not normally be treated as distributions for UK tax purposes, provided that (i) the Debt Security is not at the time of payment held by a company which is not resident in the United Kingdom for UK tax purposes and which is either a subsidiary undertaking of the Bank or is put in funds (directly or indirectly) by the Bank or such a subsidiary undertaking, (ii) the interest or other consideration given by the Bank for the use of the principal secured by the Debt Security does not represent more than a reasonable commercial return for the use of that principal, (iii) any interest or other payment in respect of the Debt Security is not to any extent dependent on the results of the Bank’s business or any part of it, or (iv) in the case of a Debt Security which carries the right to convert directly or indirectly into shares in or securities of the Bank, such Debt Security is either quoted on a recognized stock exchange or is issued on terms reasonably comparable with the terms of issue of securities so quoted.

Payments of interest on a Debt Security will be subject to US taxation as ordinary interest income at the time that such payments accrue or are received (in accordance with the US holder’s method of tax accounting). In the case of Debt Securities denominated in a currency other than US dollars, the amount of interest income realized by a holder using the cash method of accounting for tax purposes will be the US dollar value of the foreign currency payment based on the exchange rate in effect on the date of receipt, regardless of whether the payment in fact is converted into US dollars. A holder using the accrual method of accounting generally must translate interest income at the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, such a holder may elect to translate all interest income on foreign currency-denominated debt obligations at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that includes more than one taxable year) or on the date the interest payment is received if such date is within five days of the end of the accrual period. A holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service. A holder that uses the accrual method of accounting will recognize foreign currency gain or loss on the receipt of a foreign currency interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Any such foreign currency gain or loss will be treated as ordinary income or loss and generally will not be treated as an adjustment to interest income received on the Debt Securities.

Purchase, Sale and Retirement of Debt Securities

A holder of a Debt Security that is not resident (nor, in the case of an individual, ordinarily resident) in the United Kingdom normally will not be liable for UK taxation on capital gains realized on the sale or other disposal or redemption or conversion of such a Debt Security unless such holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and such Debt Security is or has been used or acquired for the purpose of such trade, profession or vocation, or such branch or agency.

Under certain provisions of UK law, known as the “accrued income scheme”, a charge to tax on income may arise on the sale or other disposal or transfer or exchange or conversion of a Debt Security in respect of the interest on such Debt Security which has accrued since the preceding interest payment date. The accrued income scheme does not, however, apply to Eligible US Holders.

A holder's basis in a Debt Security for US tax purposes generally will equal the cost of such Debt Security to such holder, increased by any amounts includible in income by the holder as original issue discount and reduced by any amortized premium and any payments other than qualified stated interest (as described below). In the case of a Debt Security denominated in a foreign currency, the cost of such Debt Security will be the US dollar value of the foreign currency purchase price on the date of purchase calculated at the exchange rate in effect on the date of purchase. In the case of a Debt Security that is denominated in a foreign currency and traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the US dollar value of the cost of such Debt Security by translating the amount paid at the exchange rate on the settlement date of the purchase. The amount of any subsequent adjustments to a holder's tax basis in a Debt Security in respect of foreign currency-denominated original issue discount and premium will be determined in the manner described below for such adjustments. The conversion of US dollars to a foreign currency and the immediate use of that currency to purchase a Debt Security generally will not result in taxable gain or loss for a US holder.

Upon the sale, exchange or retirement of a Debt Security, a US holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the holder's tax basis in the Debt Security. If a holder receives foreign currency in respect of the sale, exchange or retirement of a Debt Security, the amount realized generally will be the US dollar value of the foreign currency received, calculated at the exchange rate in effect at the time of the sale, exchange or retirement. In the case of a Debt Security that is denominated in a foreign currency and is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the US dollar value of the amount realized by translating such amount at the exchange rate on the settlement date of the sale, exchange or retirement.

The election available to accrual basis taxpayers in respect of the purchase and sale of Debt Securities traded on an established securities market, which is discussed in the two preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the Internal Revenue Service.

Except as discussed below with respect to foreign currency gain or loss (and, in the case of secondary market purchasers, with respect to market discount), gain or loss recognized by a US holder on the sale, exchange or retirement of a Debt Security generally will be long-term capital gain or loss if the holder has held the Debt Security for more than one year at the time of disposition. Under current law, net long-term capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The ability of US holders to offset capital losses against ordinary income is limited.

Notwithstanding the foregoing, gain or loss recognized by a US holder on the sale, exchange or retirement of a Debt Security denominated in a foreign currency generally will be treated as ordinary income or loss to the extent that such gain or loss ("exchange gain or loss") is attributable to changes in exchange rates during the period in which the holder held the Debt Security. Such gain or loss generally will not be treated as an adjustment to interest income on the Debt Security.

Original Issue Discount

Debt Securities issued at an issue price which is less than the amount payable on redemption may constitute "deep discount securities" for UK tax purposes. Where Debt Securities constitute "deep discount securities", a holder may be liable to UK income tax or corporation tax on the discount which accrues during the period such Debt Securities are held. A holder of such Debt Securities will not be subject to any withholding tax on any discount, but holders resident outside the United Kingdom may be directly assessed to UK tax on any discount element although Extra-Statutory Concession B.13 (see "Taxation of the Debt Securities — Payments of Interest") applies to payments of discount in the same way as it applies to payments of interest. An Eligible US Holder would not be liable to UK income tax in respect of any discount element.

Debt Securities in respect of which the amount payable by the Bank upon redemption exceeds or could exceed the issue price and which do not constitute "deep discount securities" for UK tax purposes may

constitute "deep gain securities" for UK tax purposes. In such a case a holder may be liable to UK income tax or corporation tax on any profit or gain arising on a transfer or redemption of such Debt Securities. For these purposes, transfer means transfer by way of sale, exchange, gift or otherwise including a deemed transfer on the death of a holder but excluding certain transfers on a conversion of a Debt Security into shares. A holder of a Debt Security will not be subject to any withholding tax on a payment or receipt attributable to a "deep gain" but holders resident outside the United Kingdom may be directly assessed to UK tax on any such payment or receipt although Extra-Statutory Concession B.13 applies to any payment or receipt attributable to a "deep gain" in the same way as it applies to payment of interest. In certain circumstances under UK law a later issue of Debt Securities under a prospectus may change the tax treatment of an earlier issue of Debt Securities issued under the same prospectus with the result that such earlier issue may, by virtue of the terms of the later issue, become "deep gain securities". An Eligible US Holder would not be liable to UK income tax in respect of any payment or receipt attributable to a "deep gain".

US holders of Debt Securities issued with original issue discount generally will be subject to the special tax accounting rules provided for such obligations by the Code. Holders of such Debt Securities should be aware that, as described in greater detail below, they generally must include original issue discount in ordinary gross income for United States federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

Debt Securities issued with original issue discount for US tax purposes include (i) Discount Securities, as defined herein; and (ii) any other Debt Securities if the difference between the first price at which a substantial amount of the Debt Securities that are part of the same issue is sold (other than to an underwriter, placement agent or wholesaler) (the "Issue Price") and the stated redemption price at maturity of the Debt Security is at least 0.25 per cent of that stated redemption price multiplied by the number of full years from the issue date of the Debt Security until its maturity or, in the case of amortizing Debt Securities, multiplied by the weighted average maturity. All such Debt Securities are referred to herein as Discount Securities. The stated redemption price at maturity of a Discount Security is the total of all payments to be made under the Discount Security other than 'qualified stated interest'. The term 'qualified stated interest' generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of a Discount Security at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices.

In general, each US holder of a Discount Security having a maturity in excess of one year, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of original issue discount on that Debt Security for all days during the taxable year that the holder owns the Debt Security. The daily portions of original issue discount on a Discount Security are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of a Discount Security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the final day or on the first day of an accrual period. In the case of an initial holder, the amount of original issue discount on a Discount Security allocable to each accrual period is determined by (i) multiplying the "adjusted issue price" (as defined below) of the Debt Security by a fraction, the numerator of which is the annual yield to maturity of the Debt Security and the denominator of which is the number of accrual periods in a year and (ii) subtracting from that product the amount (if any) payable as qualified stated interest allocable to that accrual period. In the case of a Discount Security that is a floating rate Debt Security, both the "annual yield to maturity" and the "qualified stated interest" will be determined for these purposes as though the Debt Security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Debt Security on its date of issue or, in the case of certain floating rate Debt Securities, both the "annual yield to maturity" and the "qualified stated interest" will be determined for these purposes as though the Debt Security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Debt Security on its date of issue or, in the case of certain floating rate Debt Securities, the rate that reflects the yield that is reasonably expected for the Debt Security. (Additional rules

may apply if interest on a floating rate Debt Security is based on more than one interest index.) The “adjusted issue price” of a Discount Security at the beginning of any accrual period generally will be the sum of its issue price (including accrued interest, if any) and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all payments other than qualified stated interest payments (if any) made with respect to such Discount Security in all prior accrual periods. For this purpose, all payments on a Discount Security (other than qualified stated interest) generally will be viewed first as payments of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first, and then as payments of principal. The “annual yield to maturity” of a Debt Security is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value on the issue date of all payments on the Debt Security to equal the Issue Price. As a result of this “constant yield” method of including original issue discount income, the amounts includible in income by a US holder in respect of a Discount Security denominated in US dollars are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A US holder generally may make an irrevocable election to apply the constant yield method described above to determine the timing of inclusion in income of its entire return on a Discount Security (i.e., the excess of all remaining payments to be received on the Discount Security, including payments of qualified stated interest, over the amount paid by the holder for such Discount Security).

In the case of a Discount Security denominated in a foreign currency, a US holder should determine the US dollar amount includible in income as original issue discount for each accrual period by (i) calculating the amount of original issue discount allocable to each accrual period in the foreign currency using the constant yield method described above, and (ii) translating the foreign currency amount so derived at the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, such holder may translate the foreign currency amount so derived at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that includes more than one taxable year) provided the holder has made an election as described under ‘Payments of Interest’ above. Because exchange rates may fluctuate, a US holder of a Discount Security denominated in a foreign currency may recognize a different amount of original issue discount income in each accrual period than would the holder of a similar Discount Security denominated in US dollars. Also, as described above, exchange gain or loss will be recognized when the original issue discount is paid or the holder disposes of the Discount Security.

A subsequent US holder of a Discount Security that purchases the Debt Security at a cost less than its remaining redemption amount (as defined below) also generally will be required to include in gross income the daily portions of original issue discount, calculated as described above. However, if the subsequent holder acquires the Discount Security at a price greater than its adjusted issue price, the holder may reduce its periodic inclusions of original issue discount income to reflect the premium paid over the adjusted issue price. The “remaining redemption amount” for a Discount Security is the total of all future payments to be made on the Debt Security other than payments of qualified stated interest.

Certain of the Discount Securities may provide for redemption prior to their Maturity Date, either at the option of the Bank or at the option of the holder. Discount Securities containing such features may be subject to rules that differ from the general rules discussed above. Purchasers of Discount Securities with such features should carefully review the applicable Prospectus Supplement and should consult their own tax advisors with respect to such features since the tax treatment of such Discount Securities will depend on their particular terms.

Indexed Debt Securities

The tax treatment of a US holder of an indexed Debt Security will depend on factors including the specific index or indices used to determine indexed payments on the Debt Security and the amount and timing of any noncontingent payments of principal and interest. Tax considerations relevant to holders of indexed Debt Securities will be discussed in the applicable Prospectus Supplement.

UK Stamp Taxes in Relation to Debt Securities

No UK stamp duty or stamp duty reserve tax will be payable on the issue by the Bank of the Global Security or its deposit with or on behalf of the Book-Entry Depository.

No UK stamp duty will be payable on the acquisition or transfer of a beneficial interest in the Global Security and no UK stamp duty reserve tax will be payable on an agreement to transfer a beneficial interest in the Global Security, provided that the Global Security remains in bearer form and that any instrument of transfer or agreement to transfer is not executed in the United Kingdom and remains at all subsequent times outside the United Kingdom.

In certain circumstances (including in particular where any Debt Security carries a right of conversion into or a right to acquire shares or other securities) the purchase or transfer of a Debt Security in registered form will normally give rise to a charge to stamp duty or stamp duty reserve tax.

Any holder who acquires or intends to acquire Debt Securities in registered form is advised to consult his own professional advisers in relation to UK stamp duty and stamp duty reserve tax.

US Backup Withholding and Information Reporting

Information reporting to the Internal Revenue Service generally will be required with respect to certain payments in respect of Dollar Preference Shares, ADSs and Debt Securities, and certain payments of the proceeds of sale of those instruments, unless the payment is made to a corporation or other exempt recipient. A 31 per cent “backup” withholding tax will apply to certain such payments if the holder fails to provide required information. Non-US holders may be required to comply with applicable certification requirements in order to avoid the application of such information reporting requirements and backup withholding tax.

UK Inheritance Tax in Relation to Dollar Preference Shares, ADRs and Debt Securities

A Dollar Preference Share, ADR or Debt Security held by an individual whose domicile is determined to be the United States for purposes of the United States — United Kingdom Double Taxation Convention relating to estate and gift taxes (the “Estate Tax Treaty”) and who is not for such purposes a national of the United Kingdom will not, provided any US federal estate or gift tax chargeable has been paid, be subject to UK inheritance tax on the individual’s death or on a lifetime transfer of the Dollar Preference Share, ADR or Debt Security except in certain cases where the Dollar Preference Share, ADR or Debt Security (i) is comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the United States and was not a national of the United Kingdom), (ii) is part of the business property of a UK permanent establishment of an enterprise or (iii) pertains to a UK fixed base of an individual used for the performance of independent personal services. In such cases, the Estate Tax Treaty generally provides a credit against US federal tax liability for the amount of any tax paid in the United Kingdom in a case where the Dollar Preference Share, ADR or Debt Security is subject both to UK inheritance tax and to US federal estate or gift tax.

PLAN OF DISTRIBUTION

The Bank may sell the Securities (i) through underwriters, (ii) through dealers, (iii) through agents or (iv) directly to purchasers. The Prospectus Supplement with respect to the Securities being offered thereby will set forth the terms of the offering of such Securities, including the names of any underwriters, dealers or agents involved in the sale of such Securities, the principal amounts or number of Securities, as the case may be, to be purchased by any such underwriters and any applicable commissions or discounts. The net proceeds to the Bank will also be set forth in the Prospectus Supplement.

If underwriters are used in the sale, the Securities being sold will be acquired by the underwriters for their own account and distribution of the Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Unless otherwise set forth in the Prospectus Supplement with respect to the Securities being offered thereby, the obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent and the underwriters

will be obligated to purchase all such Securities if any of such Securities are purchased. The initial public offering price of any Securities and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If dealers are used in the sale, unless otherwise indicated in the Prospectus Supplement with respect to the Securities being offered thereby, the Bank will sell such Securities to the dealers as principals. The dealers may then resell such Securities to the public at varying prices to be determined by such dealers at the time of resale.

Securities may also be sold through agents designated by the Bank from time to time or directly by the Bank. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is being delivered will be named, and any commissions payable by the Bank to such agent will be set forth, in the Prospectus Supplement with respect to such Securities. Unless otherwise indicated in such Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements entered into with the Bank to indemnification by the Bank against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, Midland in the ordinary course of business.

Any underwriter, dealer or agent in connection with an offering of Securities will represent and agree that, (i) it has not offered or sold in the United Kingdom or elsewhere, by means of any document, any Securities prior to application for listing of such Securities on the London Stock Exchange being made in accordance with Part IV of the Financial Services Act 1986 (the "1986 Act") (other than in circumstances which did not constitute an offer to the public within the meaning of the Companies Act 1985), (ii) it has complied and will comply with all applicable provisions of the 1986 Act with respect to anything done by it in relation to such Securities in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom to any person any document received by it in connection with the issue of such Securities, other than any document which consists of, or any part of, listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules made by the London Stock Exchange under Part IV of the 1986 Act, if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988, as amended, or is a person to whom the document may otherwise lawfully be issued or passed on.

In the event that Securities of any series are not listed on a US national securities exchange, certain broker-dealers may make a market in such Securities, but will not be obligated to do so and may discontinue market making at any time without notice. No assurance can be given that any broker-dealer will make a market in Securities of any series or as to the liquidity of the trading market for such Securities.

ADDITIONAL INFORMATION

The Bank has filed with the Commission a registration statement on Form F-3 (the "Registration Statement") relating to the Securities offered hereby under the Securities Act. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Additional information concerning the Bank, the Debt Securities, the Book-Entry Debt Securities, the Dollar Preference Shares, the ADSs and the ADRs is to be found in the Registration Statement, including the exhibits thereto, which may be inspected at the offices of the Commission. See "Available Information". All summaries contained herein of documents which are filed as exhibits to the Registration Statement are qualified in their entirety by this reference to those exhibits.

In accordance with all applicable US laws and regulations, the US operations of Midland do not do business with the government of Cuba or with any person or affiliate located in Cuba. With respect to the

operations of Midland outside the United States, since it is not unlawful under the laws of any other country in which Midland operates to do business with the government of Cuba or with any person or affiliate located in Cuba, Midland is not required to specifically monitor its business activities with respect to Cuba. Accordingly, it is possible that Midland or its non-US affiliates may do some business with parties located in Cuba such as, for example, the acceptance of deposits from, or the issuance of credit cards to, nationals of Cuba.

Unless otherwise indicated in a Prospectus Supplement, the information set forth above concerning Cuba is accurate as of the date of such supplement. Current information concerning Midland's business dealings with the government of Cuba or with any person or affiliate located in Cuba may be obtained from the Division of Securities and Investor Protection of the Florida Department of Banking and Finance, The Capitol, Tallahassee, Florida 32399-0350, telephone number (904) 488-9805.

LEGAL OPINIONS

Certain legal matters in connection with the Securities to be offered hereby will be passed upon for the Bank by Cleary, Gottlieb, Steen & Hamilton, London, England, US counsel for the Bank and by Clifford Chance, London, England, English solicitors for the Bank and, in the case of underwritten offerings, for the underwriters by Shearman & Sterling, London, England, US counsel for the underwriters and by Linklaters & Paines, London, England, English solicitors for the underwriters. Cleary, Gottlieb, Steen & Hamilton may rely as to all matters of English law on Clifford Chance. Clifford Chance may rely as to all matters of New York law on Cleary, Gottlieb, Steen & Hamilton. Shearman & Sterling may rely as to all matters of English law on Linklaters & Paines. Linklaters & Paines may rely as to all matters of New York law on Shearman & Sterling. From time to time, Shearman & Sterling have performed certain legal services for Midland.

EXPERTS

The consolidated financial statements of the Bank as at December 31, 1994 and December 31, 1993 and for each of the years ended December 31, 1994 and 1993 appearing in the 1994 Form 20-F have been audited by KPMG Chartered Accountants/Registered Auditors, as set forth in their report thereon included therein and incorporated herein by reference. The consolidated financial statements of the Bank for the year ended December 31, 1992 appearing in the 1994 Form 20-F have been audited by Ernst & Young, chartered accountants/registered auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such reports given upon the authority of said firms as experts in accounting and auditing. Subsequent to the acquisition of Midland by the HSBC Group, KPMG Peat Marwick succeeded Ernst & Young as Midland's independent auditors.

No dealer, salesman or any other person has been authorized to give any information or to make any representations not contained in this Prospectus Supplement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Bank or any of the Underwriters. This Prospectus Supplement does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus Supplement nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

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\$300,000,000



MIDLAND BANK PLC

7.65% Subordinated Notes
Due May 1, 2025

PROSPECTUS SUPPLEMENT
May 3, 1995

LEHMAN BROTHERS

MERRILL LYNCH & CO.

J. P. MORGAN SECURITIES, INC.