

Subject to completion – Preliminary Disclosure Supplement dated May 7, 2013  
The information in this disclosure supplement is not complete and may be changed.

DISCLOSURE SUPPLEMENT, dated May [●], 2013  
(To Disclosure Statement, dated September 30, 2009)

# Barclays Bank Delaware

\$[●]

Fixed to Capped Floating Rate Certificates of Deposit due May 24, 2018

Issuer:	Barclays Bank Delaware (the “Bank”).
CDs:	Fixed to Capped Floating Rate Certificates of Deposit due May 24, 2018 (the “CDs”).
Trade Date:	May 21, 2013
Issue Date:	May 24, 2013
Maturity Date:	May 24, 2018 (subject to the following business day convention)
Interest Rate:	From and including the Issue Date to but excluding the Conversion Date, the CDs will bear interest at the Fixed Rate. From and including the Conversion Date to but excluding the Maturity Date, the CDs will bear interest at the Floating Rate, subject to the Interest Rate Floor and the Interest Rate Cap.
Fixed Rate:	1.00% per annum.
Floating Rate:	For each Interest Period from and after the Conversion Date, a per annum rate equal to the Floating Reference Rate <i>plus</i> the Spread.
Spread:	0.25% per annum.
Floating Reference Rate:	Means, in respect of any Interest Determination Date, the rate for deposits in U.S. dollars having a designated maturity of 3 months which appears on Reuters Screen Page LIBOR01 as of 11:00a.m., London time on that Interest Determination Date. For more information relating to the Floating Reference Rate, see “Floating Reference Rate” below.
Conversion Date:	The Interest Reset Date occurring on May 24, 2014, subject to the following business day convention.
Interest Rate Floor:	From and including the Conversion Date to but excluding the Maturity Date, 0.50% per annum.
Interest Rate Cap:	From and including the Conversion Date to but excluding the Maturity Date, 2.50% per annum.
Interest Period:	The initial Interest Period will begin on, and include, the Issue Date and end on, but exclude, the first Interest Payment Date. Each subsequent Interest Period will begin on, and include, the Interest Payment Date for the preceding Interest Period and end on, but exclude, the next following Interest Payment Date. The final Interest Period will end on, but exclude, the Maturity Date.
Interest Payment Date(s):	Quarterly on the 24th day of February, May, August and November of each year, commencing on August 24, 2013, subject to the Business Day Convention.

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Interest Determination Dates:	Two London Business Days prior to each Interest Reset Date.
Interest Reset Dates:	For each Interest Period commencing on or after the Conversion Date, the first day of such Interest Period.
Day Count Fraction:	Actual/365
Payment at Maturity:	<p>If you hold your CDs to the Maturity Date, you will receive the full principal amount of your CDs (in addition to the final interest payment).</p> <p><i>Your principal is protected only if you hold your CDs to maturity. The CDs are deposit obligations of the Bank and not, either directly or indirectly, an obligation of any third party. Any amounts payable that exceed the applicable FDIC insurance limit, as well as any amounts payable under the CDs that are not insured by FDIC insurance, are subject to the creditworthiness of the Bank.</i></p>
Business Days:	Delaware, New York and London
London Business Day	Any day that is a Monday, Tuesday, Wednesday, Thursday or Friday and on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.
Business Day Convention:	Following, unadjusted
Denomination:	\$1,000 and integral multiples at \$1,000 in excess thereof.
Limited Early Withdrawals:	Early withdrawals of the principal amount will be permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD as described herein in this disclosure supplement and in the accompanying disclosure statement. If you choose to withdraw your CDs prior to maturity in such circumstances, you will receive only the principal amount of your CDs plus any unpaid interest payment, which has accrued on the CDs from the Issue Date or from the most recent date to which interest on the CDs has been paid, or made available for payment, to, but excluding, the date of early withdrawal. See “Disclosure Supplement Summary – Will I Be Permitted to Withdraw My CDs Prior to Maturity?” in this disclosure supplement.
Original Issue Price:	100% of the principal amount of the CDs.
Deposit Insurance:	The principal amount of each CD is insured by the Federal Deposit Insurance Corporation (the “FDIC”) up to the limits and to the extent described in this disclosure supplement and the accompanying disclosure statement (generally \$250,000 for all accounts held by a depositor in the same ownership capacity with the Bank).
Form of CDs:	Registered Global.
Calculation Agent:	Barclays Bank PLC
Placement Agent:	Barclays Capital Inc.
Depository:	The Depository Trust Company.

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CUSIP:	06740AZN2
Series Number:	D-[]
Placement Agent Fee:	Barclays Capital Inc. may receive a placement agent fee from the Bank or an affiliate of the Bank that will not exceed 0.725% of the principal amount of the CDs, or \$7.25 per \$1,000 principal amount of CDs, and may retain all or a portion of this placement agent fee as its own placement agent fee or use all or a portion of this placement agent fee to pay selling concessions or placement agent fees to other Brokers.

*Investing in the CDs involves risks. See “Risk Factors” beginning on page S-7 of this disclosure supplement for risks related to an investment in the CDs.*

The CDs are not registered under the Securities Act of 1933, as amended, or any state securities law, and are not required to be so registered. The CDs have not been approved or disapproved by any federal or state securities commission or banking authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Notwithstanding anything to the contrary contained herein, each prospective depositor (and each employee, representative, or other agent of each prospective depositor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this disclosure supplement and the accompanying disclosure statement and all materials of any kind that are provided to the prospective depositor relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between the Bank, Barclays Capital Inc., the Brokers (as defined below) or their respective representatives and each prospective depositor regarding the transactions contemplated herein.

The CDs are made available through Barclays Capital Inc., and certain other broker-dealers (each, a “Broker”). The CDs are time deposit obligations of the Bank, a state-chartered commercial bank organized under the laws of the State of Delaware and are insured by the FDIC up to the limits and to the extent described in this disclosure supplement and in the accompanying disclosure statement under the section entitled “Deposit Insurance.”

The CDs offered hereby are obligations of the Bank only and are not obligations of the Brokers, or any other company affiliated with the Bank, including Barclays Capital Inc. and Barclays Bank PLC.

In making an investment decision, investors must rely on their own examinations of the Bank and the terms of this offering, including the merits and risks involved. We and Barclays Capital Inc. have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. You should not assume that the information included in this disclosure supplement and the accompanying disclosure statement or in any document incorporated by reference in the accompanying disclosure statement is accurate as of any date other than the respective dates of those documents.

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The date of this disclosure supplement is May [●], 2013.

## Table of Contents

### Disclosure Supplement

	Page
Disclosure Supplement Summary	S-5
Selected Risk Considerations	S-7
Specific Terms of the CDs	S-11
Floating Reference Rate	S-13
Hypothetical Interest Rate and Interest Payment Calculations	S-14
Fees; Hedging	S-17
ERISA Matters	S-17
Certain U.S. Federal Income Tax Considerations	S-18

### Disclosure Statement

	Page
Where You Can Find More Information	4
Barclays Bank Delaware	4
The Barclays Group	4
Description of the CDs	4
Evidence of the CDs	8
Deposit Insurance	8
Secondary Market	13
Risk Factors	13
Certain Terms of the CDs	31
Interest Mechanics	33
Certain Features of the CDs	36
Reference Assets	42
ERISA Matters	82



## Disclosure Supplement Summary

*The following is a summary of the terms of the CDs, as well as a discussion of risks and other considerations you should take into account when deciding whether to invest in the CDs. The information in this section is qualified in its entirety by the more detailed explanations set forth elsewhere in this disclosure supplement and in the accompanying disclosure statement. We encourage you to read this entire disclosure supplement and the accompanying disclosure statement, including the documents incorporated by reference therein, prior to making your investment decision. To the extent there are any inconsistencies between this disclosure supplement and the accompanying disclosure statement, this disclosure supplement shall supersede the disclosure statement.*

*You should pay special attention to the “Risk Factors” section beginning on page S-7 of this disclosure supplement to determine whether an investment in the CDs is appropriate for you.*

*In this disclosure supplement, unless the context otherwise requires, the “Bank,” “we,” “us” and “our” mean Barclays Bank Delaware. Barclays PLC is the ultimate parent company of the Bank and Barclays Capital Inc.*

This section summarizes, among other things, the following aspects of the CDs:

- What are the CDs and how do they work?
- Will I be Permitted to Withdraw My CDs Prior to Maturity?
- Are the CDs FDIC insured?

### What Are the CDs and How Do They Work?

The CDs are time deposit obligations of the Bank. You will receive at least \$1,000 per \$1,000 principal amount of your CD at maturity plus periodic interest payments.

We will pay you interest as set forth on the cover of this disclosure supplement. For a further description of how interest will be calculated, see “Specific Terms of the CDs – Interest” in this disclosure supplement. **You must rely on your own evaluation of the merits of an investment in the CDs.** In connection with your purchase of the CDs, we urge you to consult your own financial, tax and legal advisors as to the risks involved in an investment in the CDs and not rely on our views in any respect. You should make a complete investigation as to the merits of an investment in the CDs.

### Will I Be Permitted to Withdraw My CDs Prior to Maturity?

By purchasing a CD, you will be deemed to agree with the Bank to keep your funds on deposit for the term of the CD. Withdrawals will be permitted prior to the Maturity Date only in the event of the death of the beneficial owner of a CD or the adjudication of incompetence of any such beneficial owner by a court or other administrative body of competent jurisdiction (the “Survivor Option”). In such event, provided that prior written notice of such proposed withdrawal has been given to your Broker or any other registered holder of the Master Certificate, and the Bank, together with appropriate documentation to support such request, the Bank will permit withdrawals of all CDs held by such beneficial owner. No partial withdrawals will be permitted except only as provided below. The amount payable by the Bank on any CDs upon such withdrawal will equal only the principal amount of the withdrawn CDs plus any unpaid interest payment, which has accrued on the CDs from the Issue Date or from the most recent date to which interest on the CDs has been paid, or made available for payment, to, but excluding, the date of early withdrawal. For the avoidance of doubt, the Bank will have no further obligation with respect to any withdrawn CD once the CD is repaid. For purposes of this section, an “Affected Person” is a person who has the right, immediately prior to such person’s death or adjudication of incompetence, to receive the proceeds from the disposition of a CD, as well as the right to receive payment of the principal amount of such CD. The death or adjudication of incompetence of an Affected Person holding a beneficial ownership interest in a CD: (1) with any person in a joint tenancy with right of survivorship; or (2) with his or her spouse in tenancy by the

entirety, tenancy in common, as community property or in any other joint ownership arrangement, will be deemed the death or adjudication of incompetence of the beneficial owner of such CD, as the case may be, and the entire principal amount of the Affected Person's CDs held in this manner will be subject to withdrawal from the Bank upon request. However, the death or adjudication of incompetence of an Affected Person holding a beneficial ownership interest in a CD as tenant in common with a person other than his or her spouse will be deemed the death or adjudication of incompetence of the beneficial owner, as the case may be, only with respect to such Affected Person's interest in such CD, and only the Affected Person's percentage interest in the principal amount of the CDs held in this manner will be subject to withdrawal from the Bank upon request.

See also "Risk Factors—You Will Have Limited Rights to Withdraw Your Funds Prior to the Maturity Date of the CDs" in the disclosure statement.

### **Where Can I Find Examples of Hypothetical Interest Payments?**

For information setting forth hypothetical interest payments, see "Specific Terms of the CDs – Hypothetical Examples of Interest Rate and Interest Payment Calculations" in this disclosure supplement.

### **How Has the Reference Rate Performed Historically?**

We have provided a table showing historical data about the Floating Reference Rate from May 22, 2007 through May 3, 2013. You can find this table in the section entitled "The Floating Reference Rate – Historical Data on the Floating Reference Rate" in this disclosure supplement.

### **May My CDs Be Held in an Individual Retirement Account?**

Yes. The CDs may, under certain circumstances, be held in an individual retirement account. See "ERISA Matters" in this disclosure supplement and "Deposit Insurance" in the accompanying disclosure statement for more detailed information.

### **Are the CDs Insured by the Federal Deposit Insurance Corporation?**

The CDs are deposit obligations of the Bank, which are insured by the FDIC up to applicable limits set by federal law and regulation. Effective July 22, 2010, federal deposit insurance limits have been permanently increased from \$100,000 per depositor (as disclosed in the accompanying disclosure statement with respect to most account types) to \$250,000 per depositor (for all account types) and, therefore, the principal amount of the CDs is, in general, protected by federal deposit insurance and backed by the U.S. Government to a maximum amount of \$250,000 for all deposits held by you in the same ownership capacity with the Bank. FDIC coverage limits are subject to further change at any time and from time to time by the FDIC or legislative action.

The interest payments (including the final interest payment on the Maturity Date) are not protected by FDIC deposit insurance until such interest payment accrues and is due and payable. Any accounts or deposits you maintain directly with the Bank or through any other intermediary in the same ownership capacity as you maintain your CDs will be aggregated with the CDs for purposes of the foregoing limits. If it is important to you that the entire principal amount of CDs owned by you be insured by the FDIC, you should ensure that purchasing a CD will not bring your aggregate deposits with the Bank over the applicable insurance limit. A more detailed summary of FDIC deposit insurance regulations, as supplemented by this disclosure supplement, is contained in the accompanying disclosure statement, but neither the accompanying disclosure statement nor this disclosure supplement is intended to be a full restatement of applicable FDIC regulations and interpretations, which may change from time to time. None of the Bank, Barclays Capital Inc. or your Broker is responsible for determining the extent of deposit insurance coverage applicable to your CDs.

See “Deposit Insurance” in the accompanying disclosure statement for more detailed information

### **What Is the Role of the Bank’s Affiliate, Barclays Capital Inc.?**

Our affiliate, Barclays Capital Inc., is an agent for the Bank, through which the Bank will place the CDs. After the initial placement, Barclays Capital Inc. or other affiliates and/or other Brokers may buy and sell the CDs to create a secondary market for holders of the CDs, even though they are not required to do so.

One or more affiliates of the Bank, including Barclays Capital Inc., may provide various administrative, operational and other services to the Bank and receive compensation for such services.

### **What Is the Role of the Bank’s Affiliate, Barclays Bank PLC?**

Our affiliate, Barclays Bank PLC, will act as the calculation agent for the CDs (the “Calculation Agent”). As Calculation Agent, Barclays Bank PLC will make determinations and judgments in connection with deciding the amount of interest payable on the CDs.

### **Can You Tell Me More about the Effect of the Bank’s Hedging Activity?**

We have hedged or expect to hedge our obligations under the CDs through or with one or more of our affiliates, including Barclays Bank PLC. This hedging activity has involved or will likely involve entering into derivatives and/or trading in one or more instruments, such as options, swaps or futures. This hedging activity could affect the market value of the CDs. The costs of maintaining or adjusting this hedging activity could also affect the price at which Barclays Capital Inc. or the Brokers may be willing to purchase your CDs in the secondary market. Moreover, this hedging activity may result in our or our affiliates receiving a profit, even if the market value of the CDs declines. You should refer to “Risk Factors—Our Business Activities May Create Conflicts of Interest” in this disclosure supplement.

### **What Are the U.S. Federal Income Tax Consequences of Investing in the CDs?**

A CD will be treated for U.S. federal income tax purposes as a debt instrument issued by the Bank that is subject to the special U.S. Treasury regulations governing variable rate debt instruments. A U.S. Depositor (as defined below in “Certain U.S. Federal Income Tax Considerations”) therefore will be required to include both interest and original issue discount into income on an annual basis. See “Certain U.S. Federal Income Tax Considerations” in this disclosure supplement for more information on the U.S. federal income tax consequences of an investment in the CDs.

### ***Selected Risk Considerations***

*This section describes the most significant risks relating to an investment in the CDs. We urge you to read the following information about these risks, together with the other information in this disclosure supplement and the accompanying disclosure statement, before investing in the CDs. These risks are explained in more detail in the “Risk Factors” sections of the disclosure statement, including the risk factors discussed under the following headings:*

- “Risk Factors—Risks Relating to All CDs”;
- “Additional Risks Relating to CDs with a Reference Asset That Is a Floating Interest Rate, an Index Containing Floating Interest Rates or Based in Part on a Floating Interest Rate; and
- “Risk Factors—Additional Risks Relating to CDs with a Maximum Return, Maximum Rate, Ceiling or Cap”.

In addition to the risks referred to above, you should consider the following:



### **The CDs Are Subject to the Creditworthiness of the Bank**

The CDs are deposit obligations of the Bank and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the CDs that exceed the applicable FDIC insurance limit, as well as any amounts payable under the CDs that are not insured by FDIC insurance, are subject to the creditworthiness of the Bank.

As a result, the actual and perceived creditworthiness of the Bank may affect the market value of the CDs and, in the event the Bank were to default on its obligations, you may not receive the principal protection or any other amounts owed to you under the terms of the CDs in excess of the amounts covered by the applicable FDIC insurance. Interest payable on the CDs is not protected by FDIC deposit insurance until such interest accrues and is due and payable.

### **The CDs Are Intended to Be Held to Maturity; You May Not Receive the Full Principal Amount of Your CDs if You Sell Your CDs Prior to the Maturity Date**

The CDs are not principal protected unless they are held until maturity. You may receive less, and possibly significantly less, than the amount you originally invested if you sell your CDs prior to maturity in any secondary market transaction. Subject to the early withdrawal rules providing for principal protection in the event of the death or adjudication of incompetence of a beneficial owner of a CD, holders of CDs will only be entitled to receive a return of the entire principal amount of their CDs if the CDs are held until maturity. Accordingly, you should be willing and able to hold your CDs until maturity.

### **You Will be Exposed to Significant Risks Not Associated with a Conventional Fixed-Rate CD.**

On and after the Conversion Date, you will be exposed to significant risks not associated with a conventional fixed-rate CD. Following the Conversion Date, these risks include the fluctuation of the applicable Floating Rate. We have no control over a number of matters that may affect interest rates, including economic, financial, legislative, regulatory and political events that are important in determining the existence, magnitude and longevity of these risks and their results. In recent years, interest rates have been volatile, and volatility also could be characteristic of the future.

### **The Floating Rate May Be Below the Rate Otherwise Payable on Similar CDs or Debt Securities with a Floating Interest Rate Issued by Us or Another Issuer with the Same Credit Rating.**

On and after the Conversion Date, you may receive a Floating Rate that is less than the floating rate payable on a similar CD or debt security with a floating interest rate of the same maturity issued by the Bank or Barclays Bank PLC (or an issuer with the same or a comparable credit rating).

### **The CDs are subject to an Interest Rate Cap, which will limit your return.**

The CDs are subject to an Interest Rate Cap. The rate of interest that will accrue will never exceed the applicable Interest Rate Cap. As a result, in the event that the Floating Rate plus spread otherwise calculated for any applicable Interest Period exceeds the Interest Rate Cap, your interest payment for the relevant Interest Period will reflect the Interest Rate Cap, and you will lose the benefit of any interest payment that would have been payable had such Interest Rate Cap not been applicable. Thus the yield on the CDs may be less than the yield on a similar instrument based on a reference rate that is not subject to an interest rate cap.

### **You Will Have Limited Rights to Withdraw Your Funds Prior to the Maturity Date of the**

## **CDs.**

By purchasing a CD, you will be deemed to agree with the Bank to keep your funds on deposit for the term of the CD. Early withdrawals are permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD, and you will receive no additional interest payments if you withdraw your deposit. Therefore, you should not rely on this possibility for gaining access to your funds prior to the maturity date.

### **You Must Rely on Your Own Evaluation of the Merits of an Investment in the CDs.**

In connection with your purchase of the CDs, we urge you to consult your own financial, tax and legal advisors as to the risks involved in an investment in the CDs and not rely on our views in any respect. You should make a complete investigation as to the merits of an investment in the CDs.

### **The Market Value of the CDs May Be Influenced by Many Unpredictable Factors.**

The market value of your CDs may fluctuate between the date you purchase them and the maturity date. Therefore, if you sell your CDs in the secondary market prior to maturity, you may have to sell them at a substantial loss. Several factors, many of which are beyond our control, will influence the market value of the CDs. Factors that may influence the market value of the CDs include:

- The performance of the Floating Reference Rate;
- the time remaining to the maturity of the CDs;
- supply and demand for the CDs;
- the general interest rate environment;
- economic, financial, political, regulatory or judicial events that affect the financial markets generally including volatility of the markets;
- our financial condition whether actual or perceived;
- our hedging activity; or
- the absence of liquid secondary markets for the CDs.

### **There Are Potential Conflicts of Interest Between You and the Calculation Agent.**

Currently, Barclays Bank PLC serves as the Calculation Agent. Barclays Bank PLC will, among other things, decide the amount of interest payable on your CDs for each Interest Payment Date. For a more detailed description of the Calculation Agent's role, see "Specific Terms of the CDs – Role of Calculation Agent" in this disclosure supplement.

The Calculation Agent will exercise its judgment when performing its functions. Since determinations by the Calculation Agent may affect the market value of the CDs, the Calculation Agent may have a conflict of interest if it needs to make any such determination.

### **There May Not Be a Trading Market in the CDs and Sales in the Secondary Market May Result in Significant Losses.**

There may be no secondary market for the CDs. The CDs will not be listed or quoted on any securities exchange or any electronic communications network, nor will they otherwise be quoted on any quotation system sponsored or administered by a U.S. self-regulatory organization. Barclays Capital Inc. or other affiliates and Brokers may engage in limited purchase and resale transactions in the CDs, although they are not required to do so. If they decide to engage in such transactions, they may stop at any time.

Secondary market transactions may be expected to be effected at prices that reflect then-current interest rates, supply and demand, time remaining until maturity, and general market conditions. The foregoing means that secondary market transactions may be effected at prices greater or less than \$1,000 per \$1,000 CD, and the yield to maturity on a CD purchased in the secondary market may differ from the yield at the time of original issuance. The prices at which CDs may trade in secondary markets may fluctuate more than ordinary, fixed-rate certificates of deposit.

If you sell your CDs before maturity, you may have to do so at a substantial discount from the principal amount of your CDs and, as a result, you may suffer substantial losses. You should be willing to hold your CDs to maturity.

**The Inclusion in the Original Issue Price and the terms of the CDs of the Cost of Hedging Our Obligations under the CDs through One or More of Our Affiliates Is Likely to Adversely Affect the Value of the CDs Prior to Maturity.**

The original issue price and the terms of the CDs includes the cost of hedging our obligations under the CDs through one or more of our affiliates. Such cost includes our affiliates' expected cost of providing such hedge, as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or other relevant factors, the price, if any, in secondary market transactions, will likely be lower than the initial original issue price. In addition, any such prices may differ from values determined by pricing models used by a broker, as a result of such compensation or other transaction costs.

Barclays Wealth, the Wealth Management Division of Barclays Capital Inc., May Sell the CDs to Certain of its Customers and May Receive Compensation from Barclays Bank Delaware in This Capacity, Which May Create a Potential Conflict of Interest. Barclays Wealth Is Not Acting As Your Agent or Investment Adviser, and Is Not Representing You in Any Capacity in Connection With Your Purchase of the CDs.

Barclays Wealth, the wealth management division of Barclays Capital Inc., may arrange for the sale of the CDs to certain of its clients. In doing so, Barclays Wealth will be acting as agent for Barclays Bank Delaware and may receive commissions or other compensation from Barclays Bank Delaware. The role of Barclays Wealth as a provider of certain services to such customers and as agent for Barclays Bank Delaware in connection with the distribution of the CDs to investors may create a potential conflict of interest, which may be adverse to such clients. Barclays Wealth is not acting as your agent or investment adviser, and is not representing you in any capacity with respect to any purchase of the CDs by you. Barclays Wealth is acting solely as agent for Barclays Bank Delaware. If you are considering whether to invest in the CDs through Barclays Wealth, we strongly urge you to seek independent financial and investment advice to assess the merits of such investment.

**Our Business Activities May Create Conflicts of Interest.**

We and our affiliates play a variety of roles in connection with the issuance of the CDs. Our affiliates have engaged in or expect to engage in trading activities related to the CDs or similar instruments, which are not for the account of owners of the CDs or on their behalf. These trading activities may present a conflict between the owners' interest in the CDs and the interests our affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities could be adverse to the interests of the owners of the CDs. Any of these activities by Barclays Capital Inc. or our other affiliates may affect the market value of your CDs.

**The CDs Will Be Treated for U.S. Federal Income Tax Purposes as Debt Instruments Subject to Special U.S. Treasury Regulations Governing Variable Rate Debt Instruments.**

A CD will be treated for U.S. federal income tax purposes as a debt instrument issued by the Bank that is

subject to the special U.S. Treasury regulations governing variable rate debt instruments. A U.S. Depositor (as defined below in “Certain U.S. Federal Income Tax Considerations”) therefore generally will be required to include both interest and original issue discount into income on an annual basis. See “Certain U.S. Federal Income Tax Considerations” in this disclosure supplement for more information on the U.S. federal income tax consequences of an investment in the CDs.

## **Specific Terms of the CDs**

In this section, references to “you” mean those who own the CDs registered in their own names, on the books that we maintain for this purpose, and not those who own beneficial interests in the CDs registered in street name or in the CDs issued in book-entry form through The Depository Trust Company (“DTC”). Because the CDs will be registered in the name of DTC or its nominee, owners of beneficial interests in the CDs should read the section entitled “Evidence of the CDs” in the accompanying disclosure statement.

The CDs will be denominated in U.S. dollars in denominations of \$1,000 and integral multiples thereof. The CDs are only insured within the limits and to the extent described in this disclosure supplement under the section entitled “Disclosure Supplement Summary – Are the CDs Insured by the Federal Deposit Insurance Company?” and in the disclosure statement under the section entitled “Deposit Insurance.”

A business day will be any day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions in London, New York City or Delaware generally are authorized or obligated by law, regulation or executive order to close.

If the maturity date of the CDs falls on a day that is not a business day, then payment to be made on the maturity date shall be made on the next succeeding business day with the same force and effect as if made on the maturity date, and no interest will accrue as a result of such delayed payment.

## **Form, Denomination and Transfer**

The CDs will be represented by one or more master certificates deposited with, or on behalf of, DTC in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

## **Limited Early Withdrawals**

Early withdrawals of the principal amount will be permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD as described herein in this disclosure supplement and in the accompanying disclosure statement. If you choose to withdraw your CDs prior to maturity in such circumstances, you will receive only the principal amount of your CDs; no return will be payable. See “Disclosure Supplement Summary – Will I Be Permitted to Withdraw My CDs Prior to Maturity?” in this disclosure supplement.

## **Role of Calculation Agent**

Barclays Bank PLC will serve as the Calculation Agent. The Calculation Agent will, in its sole discretion, make all determinations regarding business days, the Interest Rate, the Maturity Date, the amount payable in respect of any Interest Payment Date or at maturity and any other calculations or determinations to be made by the Calculation Agent as specified herein or in the base disclosure statement. Absent manifest error, all determinations of the Calculation Agent will be final and binding on you and us, without any liability on the part of the Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the Calculation Agent.

## **Payment at Maturity**

The Maturity Date of the CDs is May 24, 2018, subject to the following business day convention. If you hold your CDs to maturity, on the Maturity Date, you will receive the full principal amount of your CDs plus the final Interest Payment.

## Interest

Interest on the CDs will begin to accrue on the Issue Date. The CDs will initially bear interest at the Fixed Rate to but not including the Conversion Date. From and including the Conversion Date, the Interest Rate will be converted to the Floating Rate (equal to the Floating Reference Rate plus the Spread of 0.25%) subject to the Interest Rate Cap and the Interest Rate Floor. The Fixed Rate shall be for each Interest Period, from and including the Issue Date to but excluding the Conversion Date, 1.00% per annum,

The Interest Rate Cap shall be for each Interest Period from and including the Conversion Date to but excluding the Maturity, 2.50% per annum.

The Interest Rate Floor shall be for each Interest Period from and including the Conversion Date to but excluding the Maturity Date: 0.50%.

For each Interest Period commencing on or after the Conversion Date, the Floating Reference Rate used to calculate the Floating Rate will reset on each Interest Reset Date, based on the level for the Floating Reference Rate plus the Spread determined on the Interest Determination Date corresponding to that Interest Reset Date, in each case as specified on the cover page of this disclosure supplement.

Absent manifest error, the determination of the Interest Rate by the Calculation Agent will be binding and conclusive on the owners of the CDs. The Calculation Agent will, upon the request of the owner of any CD, provide the Interest Rate then in effect with respect to the CDs.

For each Interest Period, we will calculate the interest payable by multiplying the relevant principal amount by the per annum Interest Rate for the relevant Interest Period. This amount will then be multiplied by the applicable day count fraction (Actual/365). From and including the Issue Date to but excluding the Maturity Date, the day count fraction will be equal to the actual number of days in an Interest Period divided by 365. Each payment of interest due on an Interest Payment Date will include interest accrued from and including the Interest Payment Date immediately preceding Interest Payment Date (or, in respect of the first interest payment, from and including the Issue Date) to but excluding such Interest Payment Date. Interest on CDs will not be compounded; therefore, the annual percentage yield (APY) in respect of the CDs will equal the Interest Rate.

We will pay you interest quarterly on the 24th day of February, May, August and November of each year commencing on August 24, 2013, subject to the following business day convention, and ending on the Maturity Date, to the persons who are registered as owners of the CDs at the close of business on the preceding Business Day.

Interest payments for the CDs will include accrued interest from and including the Issue Date or from and including the last Interest Payment Date, to, but excluding, the following Interest Payment Date or the Maturity Date, as the case may be. We will make the maturity payment to the persons who, at the close of business on the business day immediately preceding May 24, 2018 (subject to the following business day convention), are registered as owners of the CDs.



## **Floating Reference Rate**

From and including the Conversion Date, these CDs will pay interest based on “LIBOR” or the London Interbank Offered Rate; thus, they will bear interest at the Interest Rate specified on the cover page to this disclosure supplement. On and after the Conversion Date, the Calculation Agent will determine 3-month LIBOR for each Interest Determination Date as follows:

For any Interest Determination Date, LIBOR will be the arithmetic mean of the offered rates for deposits in the index currency having an index maturity of 3-months, commencing on the second London banking day immediately following that Interest Determination Date, that appear on the Designated LIBOR page, as defined below, as of 11:00 a.m., London time, on that Interest Determination Date, if at least two offered rates appear on the Designated LIBOR page; except that if the specified Designated LIBOR page, by its terms provides only for a single rate, that single rate will be used.

If (i) fewer than two offered rates appear on the Designated LIBOR page and the Designated LIBOR page does not by its terms provide only for a single rate or (ii) no rate appears on the Designated LIBOR page and the Designated LIBOR page by its terms provides only for a single rate, then the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the calculation agent after consultation with us, to provide the calculation agent with its offered quotation for deposits in the index currency for a 3-month period commencing on the second London banking day immediately following the Interest Determination Date.

If at least two quotations are provided, LIBOR determined on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, LIBOR will be determined for the applicable Interest Reset Date as the arithmetic mean of the rates quoted approximately 11:00 a.m., London time, in the applicable principal financial center for the country of the index currency on that Interest Reset Date, by three major banks in that principal financial center selected by the calculation agent, after consultation with us, for loans in the index currency to leading European banks, having a 3-month index maturity and in a principal amount that is representative of a single transaction in that index currency in that market at that time.

If fewer than three major banks in that principal financial center selected by the calculation agent are quoting as set forth above, LIBOR for that Interest Determination Date will remain LIBOR for the immediately preceding interest reset period (or, in the case of the first Initial Reset Date, the Initial Interest Rate).

## HYPOTHETICAL INTEREST RATE AND INTEREST PAYMENT CALCULATIONS

As described above, on and after the Conversion Date, the effective per annum interest rate payable on the CDs on each Interest Payment Date will be the Floating Rate calculated as described under “Specific Terms of the CDs - Interest Rate” above. The following illustrates the process by which the Floating Rate and interest payment amount are determined for any given Interest Period following the Conversion Date.

***Step 1: Determine the value of the Floating Reference Rate for the Interest Period.***

For each Interest Period commencing on or after the Conversion Date, a per annum value for the Floating Reference Rate is determined on the relevant Interest Reset Date by observing the applicable Floating Rate on the Interest Determination Date relating to that Interest Reset Date. For further information concerning the Interest Determination Dates for the Reference Rate, see “Interest Mechanics—How Floating Interest Rates Are Reset” in the disclosure supplement.

***Step 2: Calculate the per annum Interest Rate for the Interest Period by adding the Spread to the Floating Reference Rate for that Interest Period, while taking into account the Interest Rate Cap and the Interest Rate Floor.***

Once the Calculation Agent has determined the value of the Floating Reference Rate for the Interest Period, the Calculation Agent will assess it relative to the Interest Rate Cap and the Interest Rate Floor. The per annum Interest Rate for that Interest Period will be the Floating Reference Rate plus the Spread unless it is greater than the Interest Rate Cap or less than the Interest Rate Floor.

If the sum of the Floating Reference Rate and the Spread is greater than the Interest Rate Cap, the per annum Interest Rate for that Interest Period will be the Interest Rate Cap. If the sum of the Floating Reference Rate and the Spread is less than the Interest Rate Floor, the Interest Rate for that Period will be the Interest Rate Floor.

The following examples illustrate how the Interest Rate for the particular Interest Period following the Conversion Date would be calculated. The following examples are based on the Spread of 0.25% per annum, the Interest Rate Floor of 0.50% per annum and the Interest Rate Cap is 2.50%.

***Example 1: The per annum Interest Rate equals the Floating Reference Rate plus the Spread***

Based on a hypothetical Floating Reference Rate equal to 1.60% and the specified Spread of 0.25%, the Interest Rate would be 1.85% (the Floating Reference Rate plus the Spread).

***Example 2: The per annum Interest Rate equals the Interest Rate Cap***

Based on the specified Interest Rate Cap of 2.50% per annum and a hypothetical Floating Reference Rate equal to 5.50% and the specified Spread of 0.25%, the Interest Rate (without taking the applicable Interest Rate Cap into account) would equal 5.75% (the Floating Reference Rate plus the Spread). However, because of the applicable Interest Rate Cap of 2.50%, the per annum Interest Rate for the relevant Interest Period would instead be equal to the Interest Rate Cap of 2.50%.

***Example 3: The per annum Interest Rate equals the Interest Rate Floor***

Based on the specified Interest Rate Floor of 0.50% and a hypothetical Floating Reference Rate equal to – 0.50% and the Spread of 0.25%, the Interest Rate (without taking the Interest Rate Floor into account) would equal -0.25% (the Floating Reference Rate plus the Spread). However, because of the Interest Rate Floor of 0.50%, the per annum Interest Rate for the relevant Interest Period would instead be equal to the Interest Rate Floor of 0.50%.

***Step 3: Calculate the interest payment amount payable for each Interest Payment Date.***

For each Interest Period, once the Calculation Agent has determined the applicable per annum Interest Rate, the Calculation Agent will calculate the effective interest rate for that Interest Period by multiplying the per annum Interest Rate determined for that Interest Period by the applicable day count fraction. The resulting effective interest rate is then multiplied by the relevant principal amount of the Notes to determine the actual interest amount payable on the related Interest Payment Date.

## Historical Data on the Floating Reference Rate

The following table shows, for illustrative purposes, the historical quarterly levels of the Floating Reference Rate that would have been applicable for certain hypothetical Interest Periods, based on the Floating Reference Rate that calculated for certain corresponding hypothetical quarterly Interest Determination Dates from May 22, 2007 to February 21, 2013. The Floating Reference Rate on May 3, 2013 was 0.2751%.

Historical levels of the Floating Reference Rate are not an indication of the future levels of the Floating Reference Rate during the term of the CDs. In the past, the Floating Reference Rate has experienced periods of volatility, and such volatility may occur in the future. Fluctuations and trends in the Floating Reference Rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. The level and direction of the Floating Reference Rate depends on a number of interrelated factors, including economic, financial and political events, over which neither the Bank, Barclays Bank PLC, Barclays Capital Inc. nor any of their respective affiliates has any control.

### Quarterly Historical levels of the Floating Reference Rate from June 15, 2007 to January 21, 2013.

Hypothetical Interest Reset Date <sup>1</sup>	Hypothetical Interest Determination Date <sup>1</sup>	3 Month LIBOR <sup>2</sup>
5/24/2007	5/22/2007	5.360%
8/24/2007	8/22/2007	5.499%
11/24/2007	11/22/2007	5.030%
2/24/2008	2/21/2008	3.093%
5/24/2008	5/22/2008	2.638%
8/24/2008	8/21/2008	2.811%
11/24/2008	11/20/2008	2.153%
2/24/2009	2/20/2009	1.249%
5/24/2009	5/21/2009	0.661%
8/24/2009	8/20/2009	0.407%
11/24/2009	11/20/2009	0.262%
2/24/2010	2/22/2010	0.252%
5/24/2010	5/20/2010	0.484%
8/24/2010	8/20/2010	0.329%
11/24/2010	11/22/2010	0.284%
2/24/2011	2/22/2011	0.313%
5/24/2011	5/20/2011	0.258%
8/24/2011	8/22/2011	0.308%
11/24/2011	11/22/2011	0.500%
2/24/2012	2/22/2012	0.492%

5/24/2012	5/22/2012	0.467%
8/24/2012	8/22/2012	0.431%
11/24/2012	11/22/2012	0.312%
2/24/2013	2/21/2013	0.288%

<sup>1</sup> The Floating Reference Rate that is determined on the Interest Determination Date will be the Floating Rate that applies to the Interest Period that starts on the corresponding Interest Reset Date and that ends on, but does not include, the Interest Payment Date for such Interest Period.

<sup>2</sup> 3 Month LIBOR in the above graph reflects 3 Month LIBOR as determined on the corresponding Interest Determination Date.

## Fees; Hedging

Under the arrangements established by Barclays Capital Inc. and the Bank, Barclays Capital Inc. will act as agent of the Bank for placing the CDs directly or through Brokers. Barclays Capital Inc. may receive a placement agent fee from the Bank or an affiliate of the Bank that will not exceed 0.725% of the principal amount of the CDs, or \$7.25 per \$1,000 principal amount of CDs, and may retain all or a portion of this placement agent fee as its own placement agent fee or use all or a portion of this placement agent fee to pay selling concessions or placement agent fees to other Brokers. Barclays Capital Inc. and other Brokers may receive fees and broker spreads in any secondary market transaction. Affiliates of the Bank, including Barclays Capital Inc., may also receive fees from the Bank or an affiliate of the Bank in respect of hedging arrangements entered into with respect to the CDs, as well as administrative, operational and other services provided to the Bank pursuant to one or more service level agreements entered into by each such affiliate and the Bank. Barclays Bank PLC, as Calculation Agent, may receive compensation pursuant to a calculation agency agreement entered into by Barclays Bank PLC and the Bank.

There can be no assurance that an active trading market in the CDs will develop and continue after this offering or that the prices at which the CDs will sell in the secondary market after this offering, if any, will not be lower than the price at which they are placed through Barclays Capital Inc. or other brokers.

In anticipation of the sale of the CDs, our affiliates, including Barclays Bank PLC, have entered into or expect to enter into hedging transactions, including entering into derivatives transaction or purchases of instruments, such as options, swaps or futures based upon the CDs or similar instruments that they deem appropriate in connection with such hedging. In addition, our affiliates, including Barclays Bank PLC, have bought or sold or may buy or sell products linked to the CDs or the Floating Reference Rate, or enter into derivative instruments relating to the Floating Reference Rate or the CDs. From time to time, our affiliates, including Barclays Bank PLC, may enter into additional hedging transactions or unwind those that have been entered into.

Our affiliates may acquire a long or short position in securities or instruments similar to the CDs from time to time and may, in their sole discretion, hold or resell those securities.

Our affiliates may close out their hedge on or before the maturity date. That step may involve sales or purchases of instruments, such as options, swaps or futures.

## ERISA Matters

Any purchaser or holder of the CDs, and any fiduciary investing on behalf of such purchaser or holder (in its representative and its corporate capacity), will be deemed to have represented by its purchase and holding of the CDs on each day from and including the date of its purchase or other acquisition of the CDs through and including the date of disposition of such CDs:



(1) either (A) it is not a plan or a plan asset entity and is not purchasing those CDs on behalf of or with “plan assets” of any plan or plan asset entity or (B) the purchase, holding and other transactions contemplated by the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, or similar law;

(2) if it is relying on Section 408(b)(17) of ERISA, in connection with the purchase of the CDs it will pay no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA) and in connection with any redemption of the CDs pursuant to its terms will receive at least adequate consideration, and, in making the foregoing representations and warranties, the fiduciary has (x) applied sound business principles in determining whether fair market value will be paid, and (y) made such determination acting in good faith;

(3) if it is or is using the assets of, directly or indirectly, an employee benefit plan not subject to ERISA or Section 4975 of the Code, such as a government plan or a foreign plan, the purchase, holding and other transactions contemplated by the CDs do not constitute non-exempt violations of any applicable federal, state, local or foreign laws, rules, regulations or other restrictions, regardless of whether those restrictions are materially similar to Section 406 of ERISA and/or Section 4975 of the Code; and

(4) neither the Bank nor any of its affiliates has provided or will provide any advice to it that has formed or may form a primary basis for its decision to purchase or hold the CDs, and if and to the extent the purchaser or holder’s assets are subject to Title I of ERISA or Section 4975 of the Code, neither the Bank nor its affiliates otherwise are “fiduciaries” with respect to the assets used in purchasing the CDs within the meaning of Section 3(21) of ERISA (including, without limitation, by virtue of the Bank’s or its affiliate’s reservation or exercise of any rights the Bank or its affiliate may have in connection with the CDs or any transactions contemplated thereby). See “ERISA Matters” in the accompanying disclosure statement.

## **Certain U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of a CD. All references to “Depositors” (including references to any individual citizen or resident of the U.S. or a domestic corporation (including an entity treated as a domestic corporation for U.S. federal income tax purposes) or other person otherwise subject to U.S. federal income tax on a net income basis in respect of a CD (including any person whose income or gain in respect of a CD is effectively connected with a U.S. trade or business) (each, a “U.S. Depositor”)) are to beneficial owners of the CDs. This summary is based on U.S. federal income tax laws, regulations, rulings and decisions in effect as of the date of this disclosure supplement, all of which are subject to change at any time (possibly with retroactive effect).

This summary addresses the U.S. federal income tax consequences to Depositors who will hold the CDs as capital assets. This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular Depositor in light of its individual investment circumstances or to certain types of Depositors subject to special treatment under the U.S. federal income tax laws, such as dealers in securities or foreign currencies, financial institutions, insurance companies, regulated investment companies, persons subject to the alternative minimum tax, persons that are classified as partnerships, pass-through entities, tax exempt organizations, taxpayers holding the CDs as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment or persons whose functional currency is not the U.S. dollar. This summary also does not deal with Depositors other than original purchasers of the CDs who acquired the CDs for an amount equal to their original principal amount. Moreover, the effect of any applicable state, local or foreign tax laws is not discussed.

## U.S. Treasury Circular 230 Notice

The following discussion of U.S. federal income tax matters and any other discussions of U.S. federal income tax matters contained elsewhere in this disclosure supplement and in the accompanying disclosure statement (a) were not intended or written to be legal or tax advice to any person and were not intended or written to be used, and they cannot be used, by any person for the purpose of avoiding any tax-related penalties that may be imposed on such person, and (b) were written to support the promotion or marketing of the CDs by the Bank, Barclays Capital Inc. and the Brokers. Each person considering an investment in the CDs should seek advice based on such person's particular circumstances from an independent tax advisor.

Investors should consult their own tax advisors in determining the tax consequences to them of holding the CDs, including the application to their particular situation of the U.S. tax matters discussed herein, as well as the application of state, local, foreign, or other tax laws.

## Tax Characterization of the CDs

The CDs will be treated for U.S. federal income tax purposes as variable rate debt instruments issued by the Bank. Therefore, under the special U.S. Treasury regulations governing variable rate debt instruments (the "Variable Rate Debt Regulations"), the Bank currently anticipates that each CD will be treated as having been issued with original issue discount ("OID") that must be accrued over the term of the CD.

## U.S. Depositors

**Taxation of Interest and Original Issue Discount.** For U.S. federal income tax purposes, OID is the excess of the stated redemption price at maturity of a CD over its issue price (i.e., \$1,000 per CD), if such excess equals or exceeds a specified de minimis amount (generally 1/4 of 1% of the stated redemption price at maturity of the CD multiplied by its weighted average maturity). The stated redemption price at maturity of a CD is the sum of all payments provided by the CD other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash at least annually at a single fixed rate. As a result of the application of the rules described below, it is anticipated that the CDs will be deemed to have an amount of OID in excess of the de minimis amount.

In general, under the Variable Rate Debt Regulations, since the CDs qualify as variable rate debt instruments, each CD must be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the CD. Since the CDs provide for stated interest at an initial fixed rate in addition to a qualified floating rate (i.e., the Floating Rate), the Variable Rate Debt Regulations generally require that the initial fixed rate first be converted into a qualified floating rate. A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the CD is denominated. The qualified floating rate that replaces the initial fixed rate must be such that the fair market value of the CD as of its issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate rather than the fixed rate. Subsequent to converting the initial fixed rate into a qualified floating rate, the CD is then converted into an "equivalent" fixed rate debt instrument by converting any qualified floating rate provided for under the terms of the CD (including the qualified floating rate into which the initial fixed rate provided by the CDs has been converted pursuant to the aforementioned rules) into a fixed rate equal to the value of the qualified floating rate as of the CD's issue date.

Once a CD is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules (as described herein) to the "equivalent" fixed rate debt instrument and a U.S. Depositor will account for such OID and qualified stated interest as if the U.S. Depositor held the "equivalent" fixed rate debt instrument. Each accrual period appropriate adjustments

will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the CD during the accrual period.

Payments of qualified stated interest on a CD generally will be taxable to a U.S. Depositor as ordinary interest income at the time such payments are accrued or received (in accordance with the U.S. Depositor’s regular method of tax accounting). A U.S. Depositor must include OID in income as ordinary interest for U.S. federal income tax purposes as it accrues under a constant yield method, possibly in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Depositor’s regular method of tax accounting. In general, the amount of OID included in income by the U.S. Depositor is the sum of the daily portions of OID with respect to the CD for each day during the taxable year (or portion of the taxable year) on which such U.S. Depositor held such CD. The “daily portion” of OID on any CD is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. An “accrual period” may be of any length and the accrual periods may vary in length over the term of the CD, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period is generally equal to the difference between (i) the product of the CD’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. The “adjusted issue price” of a CD at the beginning of any accrual period is the sum of the issue price of the CD (i.e., \$1,000 per CD) plus the amount of OID allocable to all prior accrual periods minus the amount of any prior payments on the CD that were not qualified stated interest payments.

**Disposition of a CD.** Except as discussed above, upon the sale, exchange, or other disposition of a CD, a U.S. Depositor generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, or other disposition (other than amounts representing accrued and unpaid interest) and such U.S. Depositor’s adjusted tax basis in the CD. A U.S. Depositor’s adjusted tax basis in a CD generally will equal such U.S. Depositor’s initial investment in the CD increased by any OID included in income and decreased by the amount of any payments, other than qualified stated interest payments, received with respect to such CD. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the CD was held for more than one year. If the U.S. Depositor is an individual, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

**Information Reporting and Backup Withholding.** Information returns may be required to be filed with the Internal Revenue Service (“IRS”) relating to payments made to a particular U.S. Depositor and OID associated with the CDs. In addition, U.S. Depositors that are not corporations, tax-exempt organizations or otherwise treated as “exempt recipients” may be subject to backup withholding tax on such payments if they do not provide their taxpayer identification numbers to the applicable withholding agent in the manner required.

Any amounts withheld under the backup withholding rules from a payment to a U.S. Depositor would be allowed as a refund or a credit against the U.S. Depositor’s U.S. federal income tax provided the required information is timely furnished to the IRS.

## **Non-U.S. Depositors**

The following is a summary of certain U.S. federal income tax consequences that will apply to a beneficial owner of a CD that is not a U.S. Depositor (a “Non-U.S. Depositor”) and not a partner in a partnership or other entity treated as a partnership for U.S. federal income tax purposes owning a CD. Non-U.S. Depositors should consult their own tax advisors to determine the U.S. federal, state and local and any foreign tax consequences that may be relevant to them.

Payments of principal, premium (if any) or interest (including OID) on a CD to a Non-U.S. Depositor, and any gain realized on a sale or exchange of a CD, will be exempt from U.S. federal income tax (including withholding tax) unless (i) such amounts are effectively connected with the Non-U.S. Depositor’s conduct of a U.S. trade or business, or (ii) the Non-U.S. Depositor is an individual present in the United States for 183 days or more in the year of such sale or exchange and certain other conditions are met. However, as described below, backup withholding may apply unless certain certification requirements are met. Also, income allocable to Non-U.S. Depositors may be subject to annual tax reporting.

A Non-U.S. Depositor may be subject to backup withholding tax and information reporting on payments made with respect to the CDs. Compliance with the certification procedures described below will satisfy the certification requirements necessary to avoid the backup withholding tax. For a Non-U.S. Depositor to qualify for the exemption from backup withholding, the applicable withholding agent must have received a statement that, among other requirements, (a) is signed by the beneficial owner of the CD under penalties of perjury, (b) certifies that such owner is a Non-U.S. Depositor, and (c) provides the name and address of the beneficial owner. The statement may generally be made on IRS Form W-8BEN (or other applicable form) or a substantially similar form, and the beneficial owner must inform the applicable withholding agent of any change in the information on the statement within 30 days of that change by filing a new IRS Form W-8BEN (or other applicable form). Generally, an IRS Form W-8BEN provided without a U.S. taxpayer identification number will remain in effect for a period starting on the date the form is signed and ending on the last day of the third succeeding calendar year, unless a change in circumstances makes any information on the form incorrect. If a CD is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the applicable withholding agent. Under certain circumstances, the signed statement must be accompanied by a copy of the applicable IRS Form W-8BEN (or other applicable form) or the substitute form provided by the beneficial owner to the organization or institution. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Depositor would be allowed as a refund or a credit against such Non-U.S. Depositor’s U.S. federal income tax provided the required information is timely furnished to the IRS.