

Report Prepared On: 02/02/13

## Structured Product Details

<b>Name</b>	Single Observation Reverse Contible Notes linked to Ryder System, Inc.
<b>Issue Size</b>	\$275,000
<b>Issue Price</b>	\$1,000
<b>Term</b>	12 Months
<b>Annualized Coupon</b>	7.30%
<b>Pricing Date</b>	October 18, 2012
<b>Issue Date</b>	October 23, 2012
<b>Valuation Date</b>	October 17, 2013
<b>Maturity Date</b>	October 22, 2013
<b>Issuer</b>	Barclays
<b>CDS Rate</b>	39.99 bps
<b>Swap Rate</b>	0.90%
<b>Reference Asset</b>	Ryder System, Inc.'s stock
<b>Initial Level</b>	\$44.47
<b>Trigger Price</b>	\$35.58
<b>Conversion Price</b>	TBD
<b>Dividend Rate</b>	0.00%
<b>Implied Volatility</b>	31.03%
<b>Delta<sup>1</sup></b>	0.4
<b>Fair Price at Issue</b>	\$966.49
<b>CUSIP</b>	06741J TU3
<b>SEC Link</b>	<a href="http://www.sec.gov/Archives/edgar/data/312070/000119312512428397/d427180d424b2.htm">www.sec.gov/Archives/edgar/data/312070/000119312512428397/d427180d424b2.htm</a>

## Related Research

### Research Papers:

[www.slcg.com/research.php](http://www.slcg.com/research.php)

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

**Mike Yan, Ph.D.,**  
Senior Financial Economist, SLCG  
(+1) 703.539.6780  
[MikeYan@slcg.com](mailto:MikeYan@slcg.com)

## Single Observation Reverse Convertible Notes linked to Ryder System, Inc.

### Description

Barclays issued \$275,000 of Single Observation Reverse Contible Notes linked to Ryder System, Inc. on October 23, 2012 at \$1,000 per note.

These notes are Barclays-branded single observation reverse convertibles. Single observation reverse convertibles pay periodic interest coupons and at maturity convert into shares of the reference security if the price of the reference security at the notes' maturity is below the trigger price determined when the notes were issued.

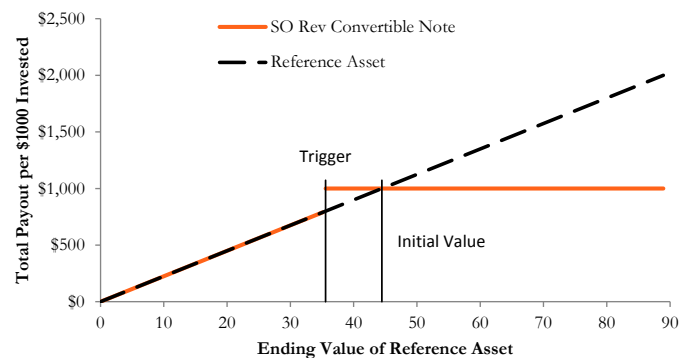
These 12-month notes pay monthly coupons at an annualized rate of 7.30%. In addition to the monthly coupons, on October 22, 2013 investors will receive the market value of 22.49 shares of Ryder System, Inc.'s stock if on October 17, 2013 Ryder System, Inc.'s stock closes below \$35.58 (80% of Ryder System, Inc.'s stock price on October 18, 2012). Otherwise, investors will receive the \$1,000 face value per note.

### Valuation

This Barclays single observation reverse convertible linked to Ryder System, Inc.'s stock can be valued as a combination of a note from Barclays and a short European out-of-the-money cash-or-nothing binary put option, and a short European out-of-the-money put option on Ryder System, Inc.'s stock. For reasonable valuation inputs this note was worth \$966.49 per \$1,000 when it was issued on October 23, 2012 because investors were effectively being paid only \$59.72 for giving Barclays options which were worth \$93.23.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

### Payoff Curve at Maturity

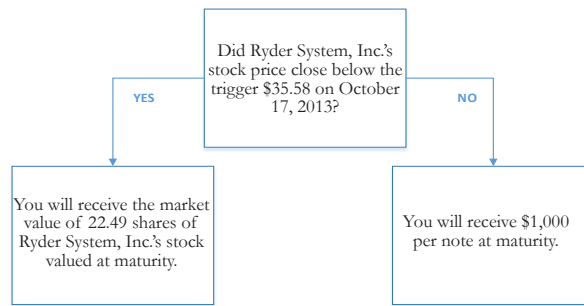


The payoff diagram shows the final payoff of this note given Ryder System, Inc.'s stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Ryder System, Inc.'s stock directly.

**Principal Payback Table**

Ryder System, Inc.'s Stock	Note Payoff
\$0.00	\$0.00
\$4.45	\$100.00
\$8.89	\$200.00
\$13.34	\$300.00
\$17.79	\$400.00
\$22.24	\$500.00
\$26.68	\$600.00
\$31.13	\$700.00
\$35.58	\$1,000.00
\$40.02	\$1,000.00
<b>\$44.47</b>	<b>\$1,000.00</b>
\$48.92	\$1,000.00
\$53.36	\$1,000.00
\$57.81	\$1,000.00
\$62.26	\$1,000.00
\$66.71	\$1,000.00

**Maturity Payoff Diagram**



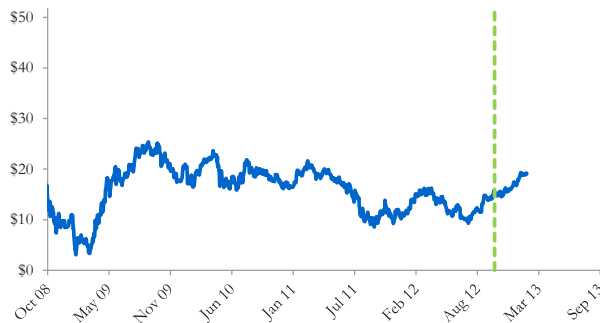
*The contingent payoffs of this Single Observation Reverse Convertible Note.*

**Analysis**

This single observation reverse convertible’s 7.30% coupon rate is higher than the yield Barclays paid on its straight debt but, in addition to Barclays’s credit risk, investors bear the risk that they will receive shares of Ryder System, Inc.’s stock when those shares are worth substantially less than the face value of the note at maturity.

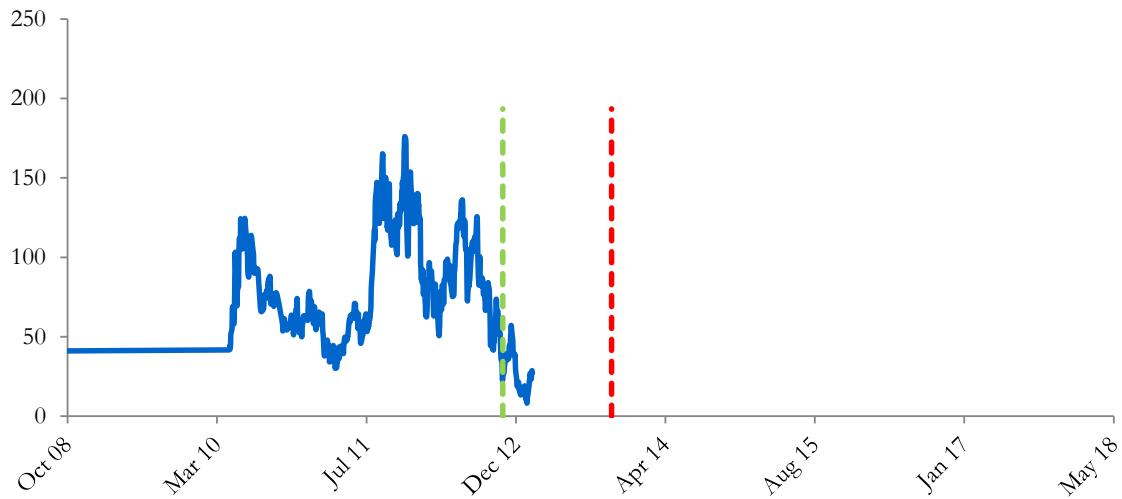
Investors purchasing these reverse convertibles effectively sell put options to Barclays and post the note’s issue price as collateral to secure satisfaction of the investors’ obligations under the option contracts. Barclays pays investors a “coupon” that is part payment for the put options and part interest on the investors’ posted collateral. This reverse convertible is fairly priced if and only if the difference between the reverse convertible’s “coupon rate” and interest paid on Barclays’s straight debt equals the value of the put option investors are giving to Barclays. Whether this reverse convertible is suitable or not is identically equivalent to whether selling put options on the reference stock at the option premium being paid by Barclays was suitable for the investor.

**Barclays’s Stock Price**



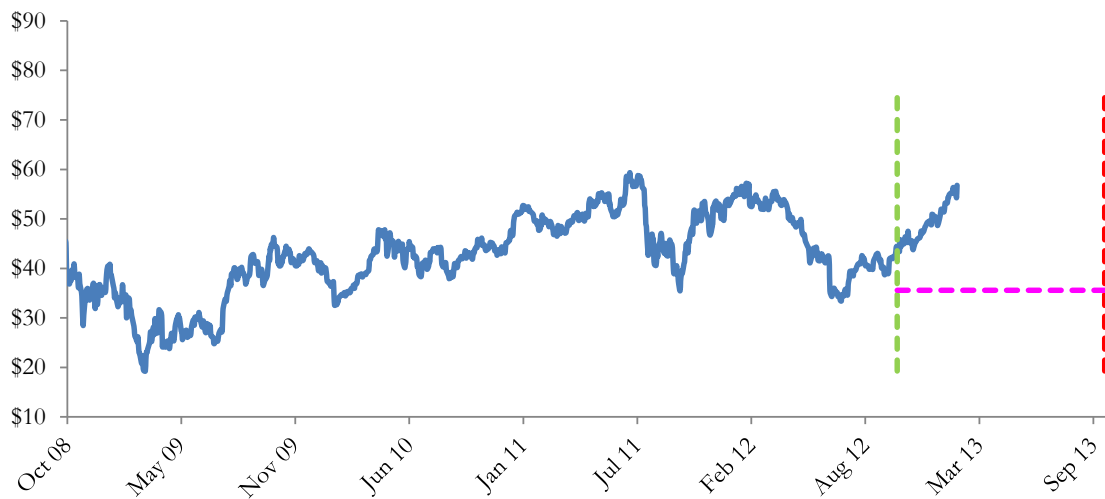
*The graph above shows the adjusted closing price of the issuer Barclays for the past several years. The stock price of the issuer is an indication of the financial strength of Barclays. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

### Barclays's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Barclays. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Barclays's debt, including outstanding Single Observation Reverse Convertible Note. Fluctuations in Barclays's CDS rate impact the market value of the notes in the secondary market.

### Ryder System, Inc.'s Stock Price

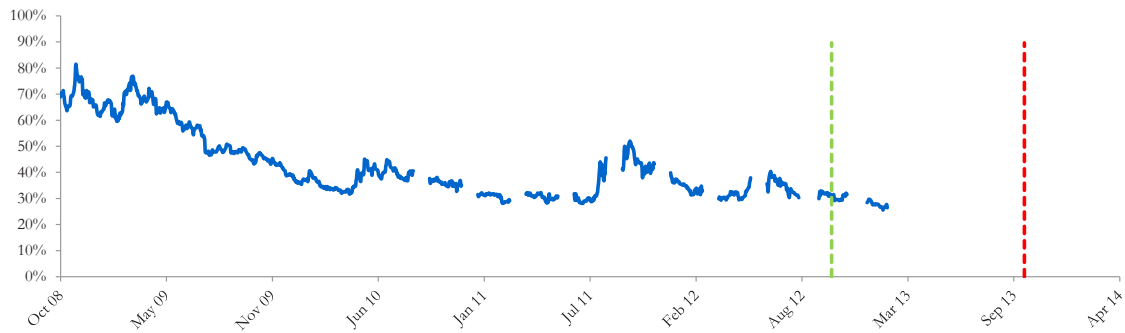


The graph above shows the historical levels of Ryder System, Inc.'s stock for the past several years. The final payoff of this note is determined by Ryder System, Inc.'s stock price at maturity. Higher fluctuations in Ryder System, Inc.'s stock price correspond to a greater uncertainty in the final payout of this Single Observation Reverse Convertible Note.

### Realized Payoff

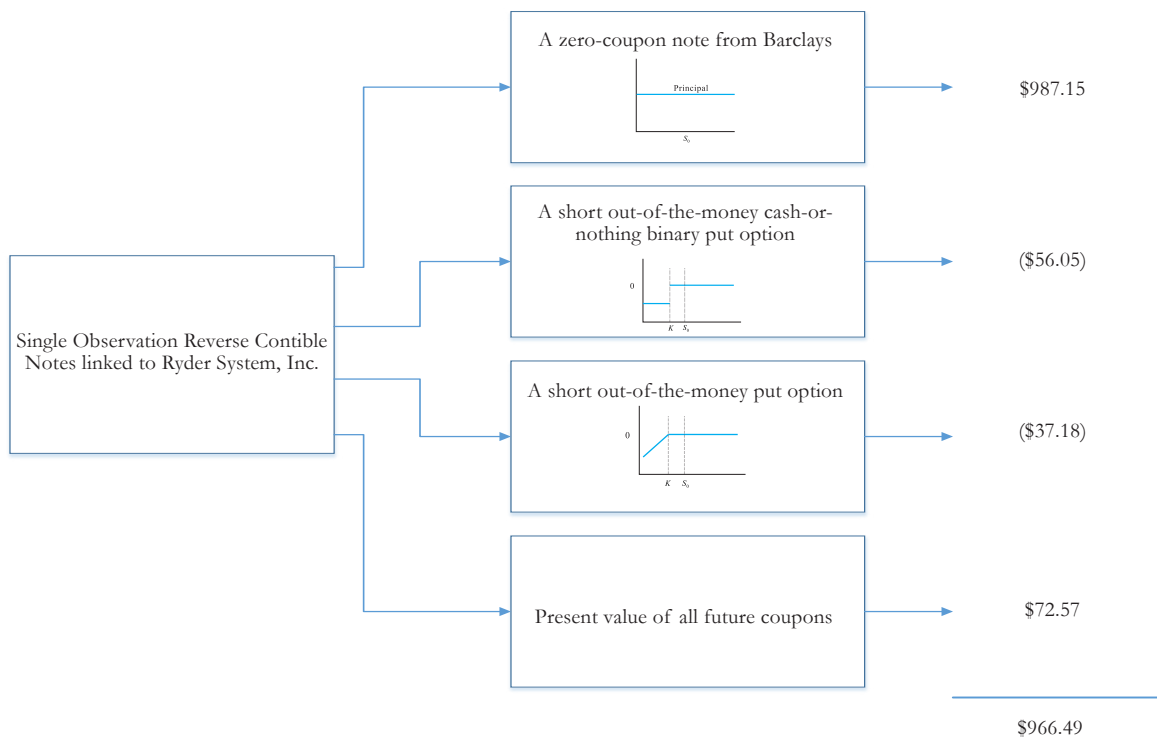
This product will mature on October 22, 2013.

## Reference Asset Ryder System, Inc.'s Stock's Implied Volatility



The annualized implied volatility of Ryder System, Inc.'s stock on October 18, 2012 was 31.03%, meaning that options contracts on Ryder System, Inc.'s stock were trading at prices that reflect an expected annual volatility of 31.03%. The higher the implied volatility, the larger the expected fluctuations of Ryder System, Inc.'s stock price and of the Note's market value during the life of the Notes.

## Decomposition of this Single Observation Reverse Convertible Note



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Single Observation Reverse Convertible Note.

1. Delta measures the sensitivity of the price of the note to the Ryder System, Inc.'s stock price on October 18, 2012.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Ryder System, Inc.'s stock on October 18, 2012.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.