

Report Prepared On: 02/02/13

## Structured Product Details

<b>Name</b>	Single Observation ELKS linked to MetLife Inc
<b>Issue Size</b>	\$9.82 million
<b>Issue Price</b>	\$10
<b>Term</b>	6 Months
<b>Annualized Coupon</b>	7.00%
<b>Pricing Date</b>	September 27, 2012
<b>Issue Date</b>	October 2, 2012
<b>Valuation Date</b>	March 27, 2013
<b>Maturity Date</b>	April 2, 2013
<b>Issuer</b>	Barclays
<b>CDS Rate</b>	72.65 bps
<b>Swap Rate</b>	0.64%
<b>Reference Asset</b>	MetLife Inc's stock
<b>Initial Level</b>	\$34.49
<b>Trigger Price</b>	\$27.59
<b>Conversion Price</b>	TBD
<b>Dividend Rate</b>	0.00%
<b>Implied Volatility</b>	29.70%
<b>Delta<sup>1</sup></b>	0.36
<b>Fair Price at Issue</b>	\$9.81
<b>CUSIP</b>	06742A735
<b>SEC Link</b>	<a href="http://www.sec.gov/Archives/edgar/data/312070/000093041312005538/c71143_424b2.htm">www.sec.gov/Archives/edgar/data/312070/000093041312005538/c71143_424b2.htm</a>

## Single Observation ELKS linked to MetLife Inc

### Description

Barclays issued \$9.82 million of Single Observation ELKS linked to MetLife Inc on October 2, 2012 at \$10 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 6-month notes pay monthly coupons at an annualized rate of 7.00%. In addition to the monthly coupons, on April 2, 2013 investors will receive the market value of 0.29 share of MetLife Inc's stock if on March 27, 2013 MetLife Inc's stock closes below \$27.59 (80% of MetLife Inc's stock price on September 27, 2012). Otherwise, investors will receive the \$10 face value per note.

### Valuation

This Barclays single observation reverse convertible linked to MetLife 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 MetLife Inc's stock. For reasonable valuation inputs this note was worth \$9.81 per \$10 when it was issued on October 2, 2012 because investors were effectively being paid only \$0.28 for giving Barclays options which were worth \$0.47.

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.

## Related Research

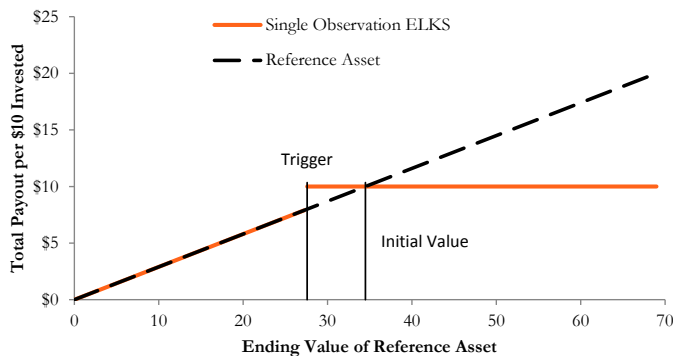
### Research Papers:

[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.

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## Payoff Curve at Maturity

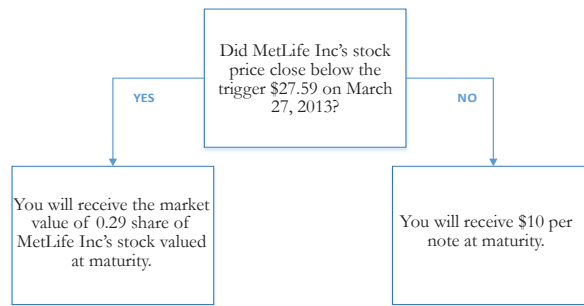


The payoff diagram shows the final payoff of this note given MetLife Inc's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in MetLife Inc's stock directly.

**Principal Payback Table**

MetLife Inc's Stock	Note Payoff
\$0.00	\$0.00
\$3.45	\$1.00
\$6.90	\$2.00
\$10.35	\$3.00
\$13.80	\$4.00
\$17.25	\$5.00
\$20.69	\$6.00
\$24.14	\$7.00
\$27.59	\$10.00
\$31.04	\$10.00
<b>\$34.49</b>	<b>\$10.00</b>
\$37.94	\$10.00
\$41.39	\$10.00
\$44.84	\$10.00
\$48.29	\$10.00
\$51.74	\$10.00

**Maturity Payoff Diagram**



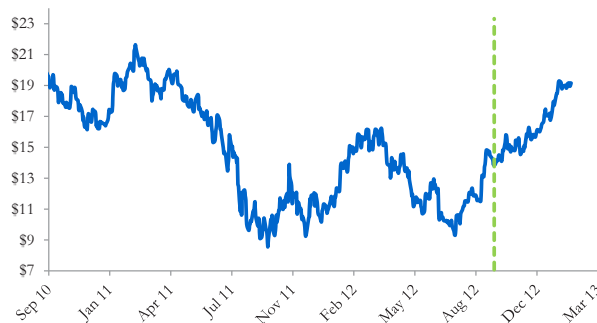
*The contingent payoffs of this Single Observation ELKS.*

**Analysis**

This single observation reverse convertible's 7.00% 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 MetLife 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**



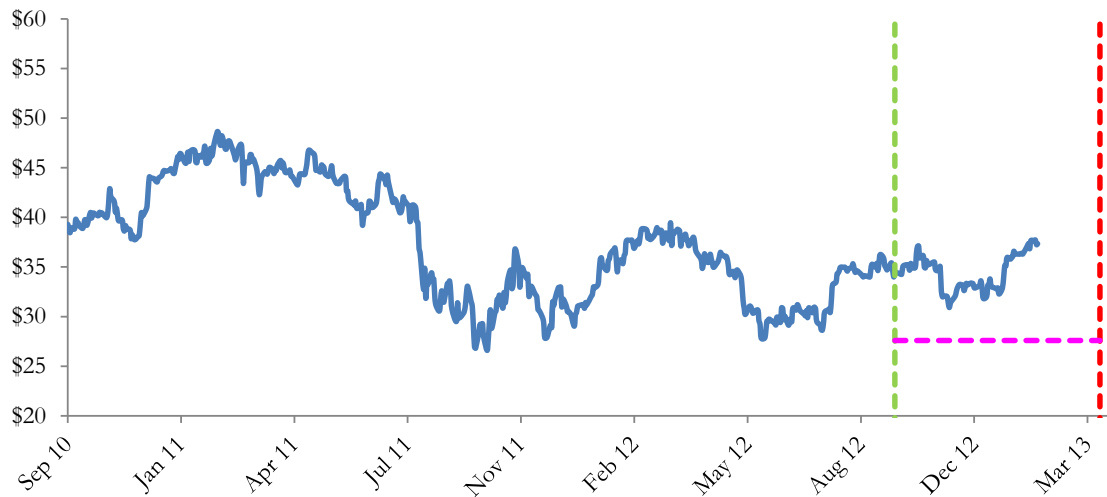
*The graph above shows the adjusted closing price of the issuer Barclays for the past several years. The stock price of the issuer is an indication of the financial strength of Barclays. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

### 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 ELKS. Fluctuations in Barclays's CDS rate impact the market value of the notes in the secondary market.

### MetLife Inc's Stock Price

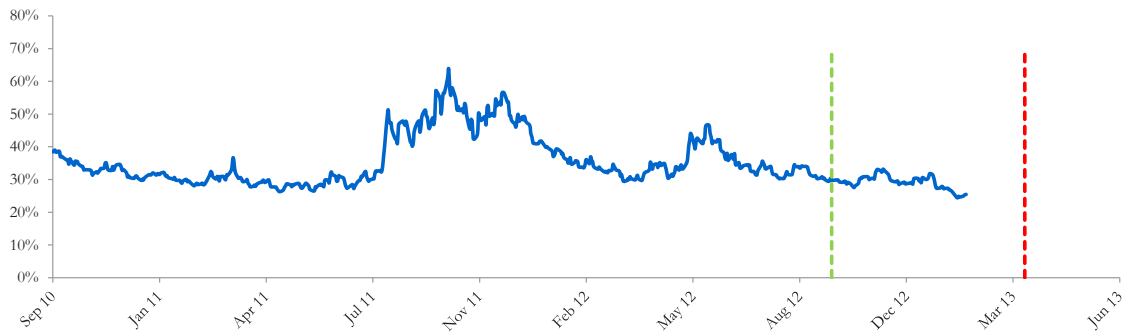


The graph above shows the historical levels of MetLife Inc's stock for the past several years. The final payoff of this note is determined by MetLife Inc's stock price at maturity. Higher fluctuations in MetLife Inc's stock price correspond to a greater uncertainty in the final payout of this Single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

### Realized Payoff

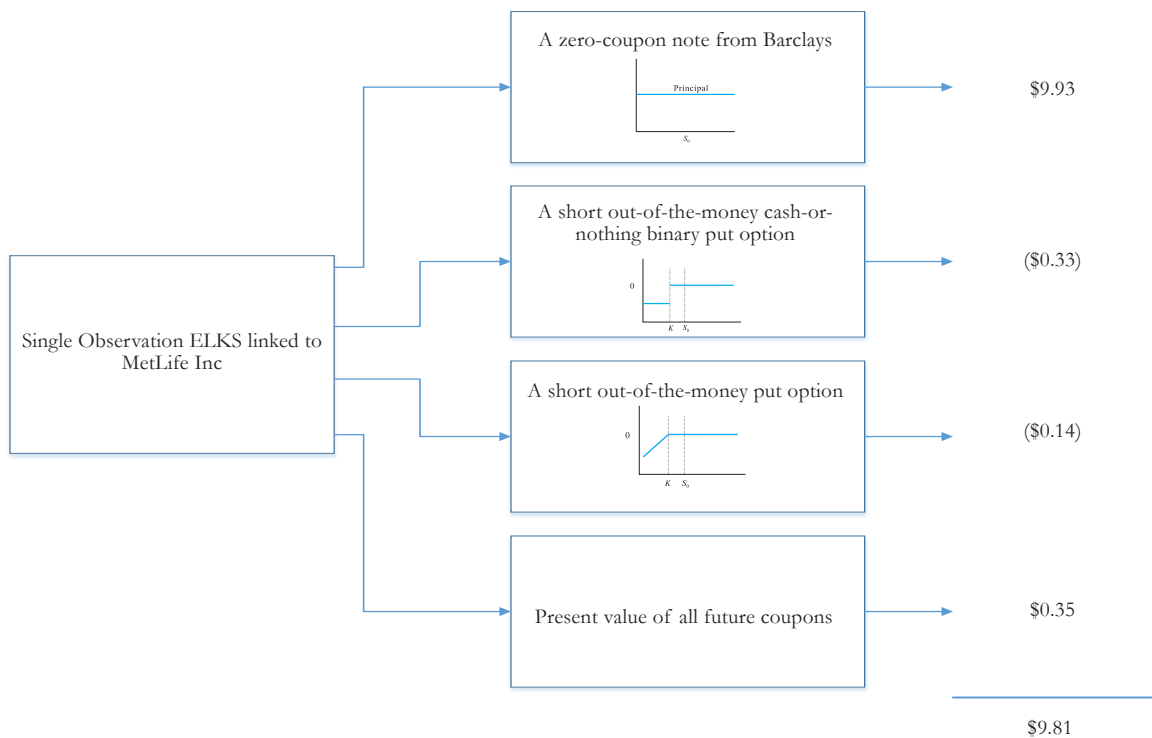
This product will mature on April 2, 2013.

## Reference Asset MetLife Inc's Stock's Implied Volatility



The annualized implied volatility of MetLife Inc's stock on September 27, 2012 was 29.70%, meaning that options contracts on MetLife Inc's stock were trading at prices that reflect an expected annual volatility of 29.70%. The higher the implied volatility, the larger the expected fluctuations of MetLife Inc's stock price and of the Note's market value during the life of the Notes.

## Decomposition of this Single Observation ELKS



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 ELKS.

1. Delta measures the sensitivity of the price of the note to the MetLife Inc's stock price on September 27, 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 MetLife Inc's stock on September 27, 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.