

# Callable Step-Up Certificates of Deposit

## Wells Fargo Bank, N.A.



**Subject to Completion**  
**Preliminary Terms Supplement dated April 6, 2016**

Terms Supplement dated \_\_\_\_\_, 2016 to Disclosure Statement dated October 1, 2015

**The final terms of the CDs will be determined on the Pricing Date and will be set forth in the final Terms Supplement which will be delivered to you after the Pricing Date.**

The certificates of deposit of Wells Fargo Bank, N.A. (the “Bank”) described in this Terms Supplement (the “CDs”) are made available through Wells Fargo Advisors, LLC (“WFA”) and may be made available through other Brokers. This Terms Supplement should be read together with the accompanying Disclosure Statement. If the description of the terms of the CDs set forth in this Terms Supplement differs in any way from the description of the general terms of the CDs contained in the accompanying Disclosure Statement, the description of the terms of the CDs in this Terms Supplement shall control. Capitalized terms not defined in this Terms Supplement are defined in the accompanying Disclosure Statement.

**The CDs are not appropriate for every investor. See “Additional Risk Factors” on page 3 of this Terms Supplement and “Risk Factors” on page 3 of the accompanying Disclosure Statement for a discussion of the risks involved with an investment in the CDs. Early withdrawal of a CD will only be available in the event of death or adjudication of incompetence of a beneficial owner of a CD. See “Description of the Certificates of Deposit – Additions or Withdrawals” in the accompanying Disclosure Statement.**

### PRODUCT DESCRIPTION

This CD provides you with the ability to receive periodic interest payments at an annual interest rate that increases during the term of the CD, subject to the Bank’s right to call the CDs after two years. Unless general interest rates rise significantly, you should not expect to earn the higher stated interest rates which are applicable only after the first four years of the term of the CDs because the CDs are likely to be called prior to stated maturity. If you hold the CDs until stated maturity, you will receive their Deposit Amount plus any accrued and unpaid Periodic Interest.

### TERMS

Instrument:	Callable Step-Up Certificates of Deposit.		
Issuer:	Wells Fargo Bank, N.A.	Denominations:	Integral multiples of \$1,000.
Pricing Date:	On or about April 26, 2016.*	Minimum Deposit:	\$1,000.
Issue Date:	On or about April 29, 2016.*	CUSIP:	94986TYQ4
Stated Maturity Date:	April 29, 2030.		
Payment at Stated Maturity:	Unless your CD has been called by the Bank, on the Stated Maturity Date, you will receive the Deposit Amount of your CD plus any accrued and unpaid Periodic Interest.		
Interest Payment Dates:	Periodic Interest on the CDs will be paid semi-annually in arrears on each April 29 and October 29, commencing October 29, 2016, and at maturity (each, an “ <u>Interest Payment Date</u> ”). Except as described below for the first Interest Period, on each Interest Payment Date interest will be paid for the period commencing on and including the immediately preceding Interest Payment Date and ending on and including the day immediately preceding that Interest Payment Date. This period is referred to as an “ <u>Interest Period</u> .” The first Interest Period will commence on and include the Issue Date and end on and include October 28, 2016.		
Periodic Interest:	The Periodic Interest payable on a CD for an Interest Period will be paid in arrears and will be computed by multiplying (i) the product of (A) the Deposit Amount of such CD and (B) the Periodic Interest Rate applicable to such Interest Period by (ii) the quotient obtained by dividing the actual number of days in such Interest Period by 365.		

\* In the event the Bank makes any change to the expected Pricing Date or expected Issue Date, the Interest Payment Dates, first Call Date and the Stated Maturity Date may also be changed in the discretion of the Bank to ensure that the term of the CD remains the same.

Periodic Interest Rate:	The following table shows the per annum Periodic Interest Rate that will be paid on the CDs for the applicable Interest Period (together with the cumulative annual percentage yields (“APY”) from the Issue Date):			
	<b>From (and including)</b>	<b>To (and including)</b>	<b>Periodic Interest Rate</b>	<b>Cumulative APY</b>
	April 29, 2016	April 28, 2020	2.00%	2.00%
	April 29, 2020	April 28, 2026	3.00%	2.60%
	April 29, 2026	April 28, 2030	5.00%	3.29%
Call Provision:	The Bank may call your CDs quarterly at its option on each January 29, April 29, July 29 and October 29, commencing April 29, 2018 and ending January 29, 2030, in whole but not in part, at 100% of their Deposit Amount plus accrued and unpaid Periodic Interest to but excluding the applicable Call Date. The Bank is not obligated to call the CDs. The Bank may call the CDs upon giving at least 15 days’ notice to The Depository Trust Company. The Bank’s ability to call your CDs effectively limits your maximum return on the CDs.			
FDIC Insurance:	The Deposit Amount of a CD is insured by the FDIC, subject to applicable FDIC insurance limits. As discussed in the accompanying Disclosure Statement, the FDIC standard maximum deposit insurance amount (the “ <u>MDIA</u> ”) is \$250,000 per depositor per insured bank. The CDs are eligible for FDIC insurance up to \$250,000 for deposits held in the same ownership category (for example, individual accounts are insured separately from joint accounts, self-directed retirement accounts and/or revocable trust accounts). The FDIC has taken the position that any Periodic Interest that has not yet been ascertained and become due and any secondary market premium paid by you above the Deposit Amount on the CDs is not insured by the FDIC. See “Deposit Insurance” in the accompanying Disclosure Statement. Any Deposit Amount of a CD that exceeds the applicable FDIC insurance limits, as well as any amounts payable under the CDs that are not insured by FDIC insurance, are subject to the creditworthiness of the Bank. See “Risk Factors – The CDs Are Subject To The Credit Risk Of The Bank” in the accompanying Disclosure Statement.			
Tax Consequences:	In the opinion of Faegre Baker Daniels LLP, the Bank’s special tax counsel, the CDs will be subject to U.S. Treasury regulations that apply to fixed rate debt instruments and Periodic Interest will be taxable to a United States holder as ordinary income from domestic sources at the time such interest is paid or accrued in accordance with the United States holder’s regular method of accounting for U.S. federal income tax purposes. See “United States Federal Income Tax Consequences” in the accompanying Disclosure Statement.			
	The CDs should not be treated as issued with original issue discount (“ <u>OID</u> ”) despite the fact that the Periodic Interest Rate on the CDs is scheduled to step-up over the term of the CDs because Treasury regulations generally deem an issuer to exercise a call option in a manner that minimizes the yield on a debt instrument for purposes of determining whether a debt instrument is issued with OID. The yield on the CDs would be minimized if the CDs were called immediately before the increase in the interest rate on April 29, 2020 and therefore the CDs should be treated for OID purposes as having a fixed rate that will mature prior to the step-up in the Periodic Interest Rate of the CDs. This assumption is made solely for purposes of determining whether the CDs are issued with OID for U.S. federal income tax purposes and is not an indication of an intention to call or not to call the CDs at any time. If the CDs are not called prior to the step-up in the interest rate, then, solely for OID purposes, the CDs will be deemed to be retired and reissued at their adjusted issue price on April 29, 2020. This deemed reissuance should not give rise to taxable gain or loss. The same analysis would apply to each subsequent increase in the Periodic Interest Rate and therefore the CDs should never be treated as issued with OID for U.S. federal income tax purposes.			
	Upon the sale, exchange, redemption (i.e., if the CDs are called or otherwise), maturity or other disposition of the CDs, a holder will generally recognize capital gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (other than amounts attributable to accrued but unpaid interest, which would be treated as such) and (ii) a holder’s adjusted tax basis in the CDs.			
Placement Fee:	The CDs will be distributed through WFA and may be distributed through other Brokers. Brokers, including WFA, will receive a placement fee of up to 2.00% of the aggregate Deposit Amount of the CDs sold. See “Description of the Certificates of Deposit – Fees” in the accompanying Disclosure Statement for further information, including information regarding how the Bank may hedge its obligations under the CDs and offering expenses.			
Selling Restrictions:	See “Selling Restrictions” in the accompanying Disclosure Statement.			

## **ADDITIONAL RISK FACTORS**

You should carefully consider the risk factors set forth below as well as the risk factors discussed under “Risk Factors” on page 3 of the accompanying Disclosure Statement and the other information contained in this Terms Supplement and the accompanying Disclosure Statement. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the CDs in light of your particular circumstances.

### **The Per Annum Interest Rate Applicable At A Particular Time Will Affect The Bank’s Decision To Call The CDs.**

It is more likely that the Bank will call the CDs prior to the stated maturity date during periods when the remaining interest is to accrue on the CDs at a rate that is greater than that which the Bank would pay on a conventional fixed-rate non-callable certificate of deposit of comparable maturity. If the Bank calls the CDs prior to their stated maturity, you may not be able to invest in other certificates of deposit that yield as much interest as the CDs.

### **The Step-Up Feature Presents Different Investment Considerations Than Fixed Rate Notes.**

The Periodic Interest Rate payable on the CDs during their term will increase from the initial Periodic Interest Rate, subject to the Bank’s right to call the CDs. If the Bank does not call the CDs, the Periodic Interest Rate will step-up as described herein. Unless general interest rates rise significantly, you should not expect to earn the higher stated interest rates which are applicable only after the first four years of the term of the CDs because the CDs are likely to be called prior to stated maturity. When determining whether to invest in the CDs, you should focus on, among other things, the overall annual percentage rate of interest to the first potential Call Date as compared to other equivalent investment alternatives instead of focusing on the higher stated interest rates which are applicable only after the first four years of the term of the CDs.

### **An Investment In The CDs May Be More Risky Than An Investment In CDs With A Shorter Term.**

The CDs have a term of fourteen years, subject to our right to call the CDs starting after two years. By purchasing CDs with a longer term, you will bear greater exposure to fluctuations in interest rates than if you purchased a CD with a shorter term. In particular, you may be negatively affected if interest rates begin to rise because the likelihood that we will call your CDs will decrease and the interest rate applicable to your CDs during a particular Interest Period may be less than the amount of interest you could earn on other investments available at such time. In addition, if you tried to sell your CDs at such time, the value of your CDs in any secondary market transaction would also be adversely affected.

## DISCLOSURE STATEMENT

### WELLS FARGO BANK, N.A.

#### FIXED RATE AND FLOATING RATE CERTIFICATES OF DEPOSIT

The certificates of deposit of Wells Fargo Bank, N.A. (the “Bank”) described below (“CDs”) are made available through certain broker-dealers (collectively, the “Brokers” and individually, a “Broker”) which may include Wells Fargo Advisors, LLC, an affiliate of the Bank (“WFA”). Each CD is a deposit obligation of the Bank, the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”). See “Deposit Insurance.” **Purchasing the CDs involves risks. See “Risk Factors” on page 3.**

The full amount of the deposit principal of a CD (the “Deposit Amount”) will be returned to you on the Stated Maturity Date. In addition, the CDs will bear interest at a fixed rate or floating rate and will pay periodic interest (“Periodic Interest”) during the term of the CD on a monthly, quarterly, semi-annual or annual basis on specified interest payment dates (the “Interest Payment Dates”) subject to certain terms and conditions. The CDs are not automatically renewable and no interest will be earned after the Stated Maturity Date or any earlier Call Date. The specific terms of the CDs will be set forth in a supplement to this Disclosure Statement (a “Terms Supplement”). The FDIC has taken the position that Periodic Interest that has not yet been ascertained and become due and any secondary market premium paid by you above the Deposit Amount of the CD is not insured by the FDIC.

**Unless otherwise specified in the applicable Terms Supplement, early withdrawal of a CD will only be available in the event of death or adjudication of incompetence of a beneficial owner of the CD.**

United States holders of the CDs, other than those holding the CDs through a tax advantaged retirement account (such as an IRA), may be subject to tax rules requiring them to include in their taxable income during each tax year in which the CDs are outstanding imputed interest income on the CDs even though interest, if any, may not be paid on the CDs until maturity. See “United States Federal Income Tax Consequences” on page 12.

The CDs are being offered by the Brokers when, as and if issued by the Bank and received and accepted by the Brokers, subject to the right of the Brokers to reject orders in whole or in part and subject to certain other conditions. WFA is an affiliate of the Bank. Other Brokers offering the CDs may include affiliates of the Bank.

**In making an investment decision, investors must rely on their own examination of the Bank and the terms of the offering, including the merits and risks involved. The CDs are obligations solely of the Bank, and are not obligations of and are not guaranteed by Wells Fargo & Company or any other affiliate of the Bank. The CDs are not registered under the Securities Act of 1933, as amended, and are not required to be so registered. The CDs have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Disclosure Statement or the applicable Terms Supplement. Any representation to the contrary is a criminal offense.**

Although the Bank or its affiliates may purchase the CDs from you, neither the Bank nor any of its affiliates is obligated to do so. The Bank and its affiliates are not obligated to, and do not intend to, make a market for the CDs. There is no assurance that a secondary market for the CDs will develop or, if it develops, that it will continue. Consequently, you may not be able to sell your CDs readily or at prices that will enable you to realize your desired yield. Only CDs held to the Stated Maturity Date or CDs that are the subject of a permitted early withdrawal will be entitled to the return of the full Deposit Amount.

October 1, 2015

## **ABOUT THIS DISCLOSURE STATEMENT**

This Disclosure Statement along with the applicable Terms Supplement describe the terms of the CDs offered hereby and thereby. These documents contain information you should consider when making your investment decision. You should rely only on the information contained in this Disclosure Statement and the applicable Terms Supplement. To the extent that any information in the applicable Terms Supplement is inconsistent with the information contained in this Disclosure Statement, the information in the applicable Terms Supplement will control. Neither the Bank nor any Broker has authorized anyone else to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in this Disclosure Statement and the applicable Terms Supplement may not be modified by any oral representation made prior or subsequent to your purchase of a CD.

This Disclosure Statement and the applicable Terms Supplement do not constitute an offer to sell or a solicitation of an offer to buy the CDs in any circumstances in which such offer or solicitation is unlawful.

Information in this Disclosure Statement or the applicable Terms Supplement may change after the date on the front of the applicable document. You should not interpret the delivery of this Disclosure Statement or the applicable Terms Supplement or the sale of the CDs as an indication that there has been no change in the information set forth herein or therein since those dates.

### **WELLS FARGO BANK, N.A.**

In deciding whether to purchase the CDs, investors must rely on their own examination of the Bank and the terms of the offering, including the merits and risks involved. Upon request, you will be provided with publicly available financial information regarding the Bank, including its Consolidated Reports of Condition and Income ("Call Reports"), filed by the Bank with its primary federal regulator. Call Reports are also available at the FDIC's website at <http://www.fdic.gov>.

## **RISK FACTORS**

Your investment in the CDs will involve risks not associated with an investment in conventional certificates of deposit. You should carefully consider the risk factors set forth below as well as the other information contained in this Disclosure Statement and the applicable Terms Supplement. The applicable Terms Supplement will contain any additional risk factors relating to the specific terms of the CDs being offered. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the CDs in light of your particular circumstances.

### **The Amount Of Periodic Interest You Receive May Be Less Than The Return You Could Earn On Other Investments.**

Interest rates may change significantly over the term of a CD, and it is impossible to predict what interest rates will be at any point in the future. Depending upon the manner in which Periodic Interest on a CD will be determined, the interest rate that will apply at any point in time during the term of a CD may be more or less than prevailing market interest rates at such time. As a result, the amount of Periodic Interest you receive on the CDs may be less than the return you could earn on other investments.

### **Insolvency Of The Bank May Result In Early Payment Of Your CDs.**

If the FDIC is appointed as conservator or receiver for the Bank, the FDIC is authorized to disaffirm or repudiate any contract to which the Bank is a party, the performance of which is determined to be burdensome, and the disaffirmance or repudiation of which is determined to promote the orderly administration of the Bank's affairs. It appears very likely that for this purpose deposit obligations, such as the CDs, are "contracts" within the meaning of the foregoing and that the CDs could be repudiated by the FDIC in its capacity as conservator or receiver of the Bank. As a result of any such repudiation, a holder of the CDs could be required to make a claim against the FDIC for the Deposit Amount of the CDs and follow the FDIC's claims procedures, which may result in a delay in receiving payment, or the FDIC as conservator or receiver could also transfer the CDs to another insured depository institution, without approval or consent of the holder of the CDs. A transferee depository institution would likely be permitted to offer holders of the CDs the choice of (i) repayment of the Deposit Amount of the CDs or (ii) less favorable terms. If a CD is paid off prior to maturity, either by a transferee depository institution or the FDIC, you may be unable to reinvest the funds at the same anticipated rate of return as the rate on the original CD. In any case, no claim would likely be available for any secondary market premium paid by you above the Deposit Amount, any Periodic Interest that has not yet been ascertained and become due or other damages such as lost profit or opportunity.

### **You May Not Have The Right To Withdraw The Deposit Amount Of A CD Prior To Its Stated Maturity Date.**

When you purchase a CD, you agree with the Bank to keep your funds on deposit for the term of the CD. Unless otherwise provided in the applicable Terms Supplement, you will not have the right to withdraw any portion of the Deposit Amount prior to the Stated Maturity Date. Therefore, you should not rely on the possibility of early withdrawal for gaining access to your funds prior to the Stated Maturity Date. In the event of your death or adjudication of incompetence, the Deposit Amount of your CDs may be withdrawn before the Stated Maturity Date without an early withdrawal penalty.

### **The CDs Are Subject To The Credit Risk 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 Deposit Amount of a CD that exceeds the applicable FDIC insurance limits, 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 and actual or anticipated decreases in the Bank's credit ratings 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.

**The Placement Fees, Offering Expenses, Costs Related To The Bank's Funding Considerations And Certain Hedging Costs Are Likely To Adversely Affect The Price At Which You Can Sell Your CDs.**

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the CDs will likely be lower than their issue price. The issue price includes, and any price quoted to you is likely to exclude, the placement fees paid with respect to the CDs, offering expenses, costs related to the Bank's funding considerations for certificates of deposit of this type and the projected profit that the Bank's hedge counterparty (which may be one of the Bank's affiliates) expects to realize in consideration for assuming the risks inherent in hedging the Bank's obligations under the CDs. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction. The price at which a Broker or any other potential buyer may be willing to buy your CDs will also be affected by the market and other conditions discussed in the next risk factor.

**You May Be Unable To Sell Your CDs Prior To Their Stated Maturity Date And The Value Of The CDs Prior To Their Stated Maturity Date Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.**

Although a Broker or its affiliates may purchase the CDs from you, none of the Brokers is obligated to do so. The Brokers and their affiliates are not required to, and do not intend to, make a market for the CDs. There can be no assurance that a secondary market will develop. As a result, you may not be able to sell your CDs prior to their Stated Maturity Date. You should therefore not rely on any such ability to sell your CDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to the Stated Maturity Date, or having access to proceeds prior to the Stated Maturity Date.

In the event that a buyer is available at the time you attempt to sell your CDs prior to their Stated Maturity Date, the price at which your CDs are sold may result in a return to you which may differ from the return which the CDs would have earned had they been held to the Stated Maturity Date, due to the fact that the value of the CDs in such circumstances will likely be based on a number of factors such as general interest rate movements and interest rate volatility and expectations regarding the same, time remaining until the Stated Maturity Date, whether the CDs are callable at the option of the Bank, the Bank's creditworthiness and other market conditions, all of which factors may impact the value of the CDs and some of which are interrelated in complex ways. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. If you sell the CDs prior to their Stated Maturity Date, the sale price may be lower than the price you may have received if you had held your CDs until their Stated Maturity Date. In addition, the price you may pay for any such CDs in the secondary market might include a mark-up established by the applicable market maker. Similarly, the price at which CDs may be sold if a secondary market is available will reflect a mark-down retained by the applicable broker. For the foregoing reasons, the price at which the CDs may be purchased or sold prior to their Stated Maturity Date may not directly reflect the Deposit Amount of the CDs and the rate of interest borne by the CDs. **In the event you choose to sell a CD prior to its Stated Maturity Date, you may receive substantially less in sale proceeds than the Deposit Amount.**

**If Your CDs Are Callable At The Option Of The Bank, Your Maximum Return Will Be Effectively Limited.**

If your CDs are callable at the option of the Bank and the Bank exercises its option to call the CDs, you will only receive the applicable Call Price (as hereinafter defined), together with any accrued and unpaid Periodic Interest to but excluding the Call Date (as hereinafter defined), and you will not be entitled to receive the amount otherwise payable on the Stated Maturity Date or any Periodic Interest payable after the Call Date. It is more likely that the Bank will exercise any call option, if at all, when Periodic Interest is accruing on the CDs at a rate above the rate at which the Bank could then issue interest bearing certificates of deposit having a maturity equal to the remaining term of the CDs.

**For Tax Purposes You May Be Required To Include Original Issue Discount In Income And To Recognize Ordinary Income On Any Disposition Of The CDs.**

For United States federal income tax purposes, the CDs may be classified as contingent payment debt instruments. If so, they will be considered to be issued with original issue discount. You will be required to include this original issue discount in income during your ownership of the CDs, even though you may receive no cash payments during the term of the CDs, subject to some adjustments, based on the “comparable yield” of the CDs unless you hold the CDs through a tax advantaged retirement account (such as an IRA). The “comparable yield” will generally be the rate at which the Bank could issue a fixed rate instrument with terms and conditions similar to the CDs, but in any event not less than the applicable federal rate (based on the overall maturity of the CDs). Additionally, you will generally be required to recognize ordinary income or, to some extent, ordinary loss on the gain or loss, if any, realized upon maturity or on a sale, exchange, redemption or other disposition of the CDs. See “United States Federal Income Tax Consequences.”



## DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

### General

The terms of each CD being offered hereby are available from your Broker and will be specified in the applicable Terms Supplement. Unless otherwise specified in the applicable Terms Supplement, the CDs will be issued at 100% of their Deposit Amount and will be made available in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. You should carefully review the applicable Terms Supplement for a description of the terms of the CD being offered. The general terms and conditions described in this Disclosure Statement will apply to the CD being offered unless the applicable Terms Supplement provides otherwise.

The term of any CD will commence on the date specified in the applicable Terms Supplement. The CDs will mature on the date specified in the applicable Terms Supplement (the “Stated Maturity Date”). The Bank may have the ability to call the CDs at its option on the dates (the “Call Dates”) and at the prices (the “Call Prices”) specified in the applicable Terms Supplement.

The CDs will not be automatically renewed or rolled over and Periodic Interest on the CDs will not accrue after the Stated Maturity Date or any earlier Call Date. The Bank will not compound any interest earned on the CDs. Except as set forth in the next sentence, payment of the Deposit Amount will be automatically credited to your account with your Broker on the Stated Maturity Date (unless the CDs have been called by the Bank), payment of any Call Price will be automatically credited to your account with your Broker on the applicable Call Date, if any, and payment of Periodic Interest will be automatically credited to your account with your Broker on each Interest Payment Date (unless the CDs have been called by the Bank). If an Interest Payment Date or the Stated Maturity Date or any earlier Call Date falls on a day that is not a Business Day, any payments otherwise due on your CDs on such day will be remitted on the next day that is a Business Day, without any interest or other payment with respect to the delay. A “Business Day” is any day other than a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized by law or regulation to close in New York, New York.

The CDs issued by the Bank are the obligations solely of the Bank, and are not obligations of and are not guaranteed by Wells Fargo & Company or any other affiliate of the Bank.

You should compare the terms of the CDs to other available investments before deciding to purchase a CD. The rate of return ultimately realized on the CDs may be higher or lower than the rates on other deposits available through the Bank or your Broker.

### Periodic Interest

The specific method of calculating the Periodic Interest will be set forth in the applicable Terms Supplement. The CDs will bear Periodic Interest from the date specified in the applicable Terms Supplement or from the most recent Interest Payment Date on which the Bank has paid or provided for Periodic Interest on the CDs to, but excluding, the Stated Maturity Date or any earlier Call Date. You will receive Periodic Interest on the CDs on each Interest Payment Date, as specified in the applicable Terms Supplement, if you owned such CDs on the applicable record date. The record date with respect to any Interest Payment Date will be the Business Day preceding such Interest Payment Date.

### Additions or Withdrawals

No additions are permitted to be made to any CD.

When you purchase a CD, you agree with the Bank to keep your funds on deposit for the term of the CD. Accordingly, no early withdrawals of the CDs will be available except as set forth in the next paragraph and as set forth in the applicable Terms Supplement. Therefore, if the applicable Terms Supplement does not indicate that there is a right of early withdrawal, each CD must either be held to the Stated Maturity Date or sold in the secondary market, if such market is available.

In the event of the death or adjudication of incompetence of the beneficial owner of a CD, early withdrawal of the full Deposit Amount of the CD will be permitted, without penalty. Partial withdrawals will not be permitted. The amount payable by the Bank upon such withdrawal will equal the Deposit Amount of the withdrawn CD, together with any accrued and unpaid Periodic Interest to but excluding the date of repayment of the Deposit Amount. Your Broker will require documentation evidencing the death or adjudication of incompetence of a beneficial owner of a CD.

Pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), the beneficiary of an IRA (but not a Roth IRA) must begin making withdrawals from the IRA after age 70-1/2. CDs held in an IRA are not eligible for early withdrawal simply because the beneficiary must begin making mandatory withdrawals from the IRA. IRA beneficiaries should purchase the CDs with stated maturities that correspond to the mandatory withdrawal requirements or look to the secondary market for liquidity.

The early withdrawal provisions applicable to your CDs may be more or less advantageous than the provisions applicable to other deposits available from the Bank. In the event that you wish to make a permissible early withdrawal, your Broker will endeavor to obtain funds for you as soon as possible. However, your Broker will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

## **Fees**

WFA or any other Broker offering the CDs to you on behalf of the Bank will receive a placement fee from the Bank in connection with your purchase of a CD. WFA is an affiliate of the Bank. Other Brokers offering the CDs may include affiliates of the Bank.

The issue price of the CDs will include the placement fees, the offering expenses associated with the offering of the CDs, including legal fees, FDIC insurance fees and CUSIP fees, costs related to the Bank’s funding considerations for certificates of deposit of this type and the projected profit the Bank’s hedge counterparty expects to realize in consideration for assuming the risks inherent in hedging the Bank’s obligations under the CDs. The Bank expects to hedge its obligations under the CDs through affiliated or unaffiliated counterparties. Because hedging the Bank’s obligations entails risk and may be influenced by market forces beyond the Bank’s or its counterparty’s control, such hedging may result in a profit that is more or less than expected, or could result in a loss. The placement fees, offering expenses, costs related to the Bank’s funding considerations and projected profit of the Bank’s hedge counterparty reduce the economic terms of the CDs. In addition, the fact that the issue price includes these items is expected to adversely affect the secondary market prices of the CDs. These secondary market prices are also likely to be reduced by the cost of unwinding the related hedging transaction.

The price you pay for a CD in the secondary market may include a mark-up established by the applicable market maker. Similarly, the price at which a CD may be sold, if a secondary market is available, will reflect a mark-down retained by the applicable broker. Except for such mark-ups and mark-downs and a handling fee for secondary market transactions, if any, disclosed on your trade confirmation, you will not be charged any commissions in connection with your purchase of a CD.

## **Evidence of the CDs**

The CDs will be evidenced by one or more master certificates issued by the Bank, each representing a number of individual CDs. These master certificates are held by The Depository Trust Company (“DTC”), a sub-custodian which is in the business of performing such custodial services. No evidence of ownership, such as a passbook or a certificate, will be provided to you. Your Broker, as custodian, will keep records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with an account statement which will reflect your CD ownership. You should retain the trade confirmation and the account statement(s) for your records.

Because you will not be provided with a certificate evidencing your CD, the purchase of a CD is not recommended if you wish to take possession of a certificate.

Payments on the CDs will be remitted by the Bank to DTC when due. Upon receipt in full of such amounts by DTC, the Bank will be discharged from any further obligation with regard to such payments. Such payments will be credited through DTC's procedures to participant firms and thereafter will be remitted to your Broker, so long as your Broker acts as your nominee, authorized representative, agent or custodian, and credited to your account with your Broker.

Each CD constitutes a direct obligation of the Bank and is not, either directly or indirectly, an obligation of your Broker. You will have the ability to enforce your rights in a CD against the Bank. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the Bank.

If you choose to remove your Broker as your agent with respect to your CDs, you may (i) transfer your CDs to another agent (provided that the agent is a member of DTC (most major brokerage firms are members; many banks and savings institutions are not)) or (ii) request that your ownership of the CDs be evidenced directly on the books of the Bank, subject to applicable law and its terms and conditions, including those related to the manner of evidencing CD ownership. If you choose to remove your Broker as your agent, your Broker will have no further responsibility for crediting your account with payments made with respect to your CDs.

## DEPOSIT INSURANCE

### General

This section describes FDIC deposit insurance covering deposits, such as the CDs issued by the Bank. The FDIC deposit insurance laws and regulations, including the level of insurance coverage, are subject to change. The Bank cannot predict whether or not any future changes will occur and whether they will apply retroactively to the CDs.

The Deposit Amount of your CDs is insured by the FDIC, an independent agency of the U.S. Government. The FDIC standard maximum deposit insurance amount (the “MDIA”) is \$250,000 per depositor per insured bank.

The CDs are eligible for FDIC insurance up to \$250,000 for deposits held in the same ownership category (for example, individual accounts are insured separately from joint accounts, self-directed retirement accounts and/or revocable trust accounts). For purposes of calculating FDIC deposit insurance limits, the Deposit Amount of your CD will be combined with deposit balances held directly or indirectly by you with the Bank (including checking accounts, certificates of deposit and other deposits in your name or held through an intermediary, such as your broker in a sweep deposit program, or a fiduciary acting in an agency capacity) in the same ownership category. **The FDIC has taken the position that any Periodic Interest that has not yet been ascertained and become due and any secondary market premium paid by you above the Deposit Amount on the CDs is not insured by the FDIC.** Funds become eligible for deposit insurance immediately upon issuance of a CD. **You are responsible for monitoring the total amount of all direct or indirect deposits held by or for you with the Bank for purposes of determining the amounts eligible for coverage by FDIC insurance, including the Deposit Amount of your CDs.**

You can calculate your insurance coverage using the FDIC’s online Electronic Deposit Insurance Estimator at [www2.fdic.gov/edie](http://www2.fdic.gov/edie). The information on such website is not a part of this Disclosure Statement.

The application of FDIC insurance coverage limits for several of the more common account types is illustrated below. **Please consult with your attorney or tax advisor to fully understand all of the legal consequences associated with any account ownership change you may be considering to maximize your deposit insurance coverage.**

**Individual Accounts.** This type of account is in one person’s name only. The account balance is added together with other deposit account balances in the person’s name at the Bank and insured up to \$250,000. Another example of an individual account is the custodial account. In this account, the account is in the name of the custodian for benefit of a beneficiary. For example, a Uniform Gifts to Minors Act account is a type of custodial account. The account balance is added together with other deposits in the beneficiary’s individual name at the Bank and insured up to \$250,000. Note that funds in a deposit account held by a custodian (such as the CDs held in your account with your Broker) are not treated as owned by the custodian.

**Joint Accounts.** Joint accounts are in the name of two or more people and each person’s share is insured up to \$250,000 separately at the Bank. Joint accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners.

**Revocable Trust Accounts.** Please refer to [www.fdic.gov](http://www.fdic.gov) for a full explanation and examples of deposit coverage for revocable trusts as the following information is a general summary. A revocable trust account indicates an intention that the deposit will belong to one or more named beneficiaries upon the death of the owner(s). A revocable trust can be terminated at the discretion of the owner. There are two types of revocable trusts: informal revocable trusts — known as Payable on Death (POD) or “Totten Trusts” — and formal revocable trusts — known as “living” or “family” trusts (created for estate planning purposes pursuant to a written agreement). All deposits that an owner holds in both informal and formal revocable trusts are added together for insurance purposes and the insurance limit is applied to the combined total.

To qualify for revocable trust deposit insurance coverage, a revocable trust beneficiary must be an individual or a charity/non-profit entity recognized by the Internal Revenue Service (“Eligible Beneficiaries”). Revocable trust deposit insurance coverage is calculated at \$250,000 times the number of Eligible Beneficiaries up to \$1,250,000. If the owner(s) of a revocable trust account has six or more beneficiaries and wants to insure more than \$1,250,000, the deposit insurance coverage will be the greater of \$1,250,000 or the aggregate amount of all Eligible Beneficiaries’ proportional interest in the revocable trust, limited to \$250,000 per Eligible Beneficiary.

**Self-Directed Retirement Accounts.** These are deposits you have in retirement accounts for which you have the right to direct how the money is invested, including the ability to direct that the funds be deposited at an FDIC-insured bank. Types of self-directed retirement accounts include traditional and Roth Individual Retirement Accounts (IRAs), Simplified Employee Pension (SEP) IRAs, Savings Incentive Match Plans for Employees (SIMPLE) IRAs, “Section 457” deferred compensation plan accounts, self-directed Keogh plan accounts, and self-directed defined contribution plan accounts.

The owner’s funds held in an IRA will be aggregated with the owner’s other funds in certain other self-directed retirement plans held at the same financial institution and will be insured (including principal and interest that has been ascertained and become due) up to \$250,000.

### **Questions About FDIC Deposit Insurance Coverage**

You can learn more about FDIC insurance by reading *Your Insured Deposits: FDIC’s Guide to Deposit Insurance Coverage*, which is available at [www.fdic.gov.html](http://www.fdic.gov.html). This brochure explains the federal insurance limitation for the various types of accounts you might own. You can also contact the FDIC, Division of Supervision and Consumer Protection, at Deposit Insurance Outreach, 550 17th Street N.W., Washington, D.C., 20429-9990. Their telephone number is (877) 275-3342 or (800) 925-4618 (TDD). The FDIC website has additional resources at [www.fdic.gov](http://www.fdic.gov).

### **Payments Under Adverse Circumstances**

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

As explained above, the MDIA applies to the principal and any interest that has been ascertained and become due on all CDs and other deposit accounts maintained by you at the Bank in the same legal ownership category. The records maintained by the Bank and your Broker regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to your Broker before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

In the event that insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount and interest that has been ascertained and become due subject to the MDIA. No interest will be earned on deposits from the time the Bank is closed until insurance payments are received.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. Your Broker will advise you of your options in the event of a deposit transfer.

Your Broker will not be obligated to you for amounts not covered by deposit insurance nor will your Broker be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal of your CD prior to its stated maturity, or (iii) payment

in cash of the principal of your CD prior to its stated maturity in connection with the liquidation of the Bank or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD which had been purchased at a premium in the secondary market is based on the original principal amount and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, your Broker will not be obligated to credit your account with funds in advance of payments received from the FDIC.

## UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences of the purchase, beneficial ownership, and disposition of CDs as of the date of this Disclosure Statement. When the term “holder” is used in this section, it refers to a beneficial owner of the CDs and not the record holder. Except where noted, this summary deals only with a CD held as a capital asset by a United States holder (as hereinafter defined) who purchases the CD on original issue at the original issue price, and it does not deal with special situations. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities or insurance companies;
- tax consequences to persons holding CDs as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of CDs whose “functional currency” is not the U.S. dollar;
- tax consequences to holders who hold the CDs as part of a retirement plan which is generally subject to special income tax deferral or exemption rules;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

The discussion below is based upon the provisions of the Code and United States Department of Treasury (“Treasury”) regulations, rulings and judicial decisions as of the date of this Disclosure Statement. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below. The Bank will not seek a ruling from the Internal Revenue Service (the “IRS”) with respect to any matters discussed in this summary. The IRS may challenge one or more of the tax consequences described below.

If a partnership holds CDs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding CDs, you should consult your own tax advisors.

If you are considering the purchase of CDs, you should consult your own tax advisors concerning the United States federal income tax consequences applicable to you in light of your particular situation and any consequences arising under the laws of any other taxing jurisdiction.

### **United States Holders**

The following discussion is a summary of certain United States federal income tax consequences that will apply to you if you are a United States holder of the CDs.

For purposes of this discussion, a “United States holder” is a beneficial owner of a CD that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation or partnership created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) its administration is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year).

As used herein, the term “non-United States holder” means a beneficial owner of a CD that is not a United States holder.

### Fixed Rate CDs

#### *Payment of Periodic Interest*

If the CDs provide for a fixed rate of interest, payments of Periodic Interest on a CD will be taxable as ordinary income at the time such interest is paid or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

#### *Sale, Exchange, Redemption or Other Disposition of CDs*

Upon the sale, retirement or other taxable disposition of a CD, you generally will recognize U.S. source gain or loss equal to the difference between the amount realized upon the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest, which will be taxable as such) and your adjusted tax basis of the CD. In general, your adjusted tax basis of the CD will equal your cost for the CD. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, retirement or other taxable disposition the CD has been held for more than one year. Under current U.S. federal income tax law, certain non-corporate United States holders, including individuals, are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

### Contingent Payment Debt CDs

#### *Accrual of Interest*

If the CDs provide for variable rates of interest or other contingent payments but fail to qualify as variable rate debt instruments (described below), the Treasury regulations that apply to contingent payment debt instruments may apply to the CDs. In this event, all payments on the CDs (including payments of Periodic Interest) will be taken into account under these Treasury regulations. As discussed more fully below, the effect of these Treasury regulations will be to:

- require you, regardless of your usual method of tax accounting, to use the accrual method with respect to the CDs;
- result in the accrual of original issue discount by you based on the “comparable yield” of the CDs even though no cash payments may be made to you until redemption or maturity of the CDs; and



- generally result in ordinary rather than capital treatment of any gain, and to some extent loss, upon maturity or on the sale, exchange, redemption or other disposition of the CDs.

Under the contingent payment debt rules, unless you hold the CDs through a tax advantaged retirement account (such as an IRA) you will be required to include original issue discount in income each year, regardless of your usual method of tax accounting, based on the “comparable yield” of the CDs, which will generally be the rate at which the Bank could issue a fixed rate instrument with terms and conditions similar to the CDs, but in any event not less than the applicable federal rate (based on the overall maturity of the CDs).

In such event, the Bank will be required to provide the comparable yield to you and, solely for tax purposes, will also be required to provide a projected payment schedule that estimates the amount and timing of contingent payments on the CDs as of their issue date. The issue date of a CD is the date on which the CD is sold to the public for cash consideration. The CDs may be callable at the option of the Bank prior to their Stated Maturity Date. For purposes of determining the projected payment schedule, CDs that may be called prior to their Stated Maturity Date at the option of the Bank generally will be treated from the issue date as having a maturity date on such redemption date if such redemption would result in a lower yield to maturity. If, contrary to the assumptions made as of the issue date, the CDs are not called, then solely for purposes of the accrual of original issue discount, the CDs will be treated as reissued on the date of the change in circumstances for an amount equal to their adjusted issue price. The comparable yield and projected payment schedule for the CDs will be set forth in the applicable Terms Supplement. Investors in the CDs may obtain the finalized projected payment schedule by submitting a written request for such information to Wells Fargo Bank, N.A., MAC J0127-045, 375 Park Avenue, 4<sup>th</sup> Floor, New York, New York 10152. You will be provided with an annual statement reporting original issue discount accruals, which accruals will reflect the comparable yield. By purchasing a CD you agree to this treatment of the CD and to report all income (or loss) with respect to the CD according to these Treasury regulations. You are required to use the comparable yield determined by the Bank and the projected payments set forth in the projected payment schedule prepared by the Bank in determining your interest accruals, and the adjustments thereto, in respect of the CDs, unless you timely disclose and justify on your federal income tax return the use of a different comparable yield and projected payment schedule. **The comparable yield and the projected payment schedule are not provided for any purpose other than the determination of your interest accruals and adjustments thereof in respect of the CDs and do not and will not constitute a representation regarding the actual amount of any payment on a CD.**

The amount of original issue discount on a CD for each accrual period (generally, each six-month period during which the CDs are outstanding) is determined by multiplying the comparable yield of the CD, adjusted for the length of the accrual period, by the CD’s adjusted issue price (as defined below) at the beginning of the accrual period, determined in accordance with the rules set forth in the Treasury regulations governing contingent payment debt instruments. The amount of original issue discount so determined is then allocated on a ratable basis to each day in the accrual period that you held the CD. In general, for these purposes, a CD’s adjusted issue price will equal the CD’s original issue price, increased by the original issue discount previously accrued on the CD and decreased by Periodic Interest paid, if any, determined without regard to the adjustments discussed below, and reduced by the amounts of the projected payments on the CD.

If an actual contingent payment made on the CDs differs from the projected contingent payment, an adjustment will be made for the difference. A positive adjustment, for the amount by which an actual contingent payment exceeds the projected contingent payment, will be treated as additional original issue discount on the contingent payment date. A negative adjustment, for the amount by which a projected contingent payment exceeds an actual contingent payment, will:

- first, reduce the amount of original issue discount required to be accrued in the taxable year in which the contingent payment date occurs; and
- second, any negative adjustment that exceeds the amount of original issue discount accrued in the taxable year in which the contingent payment date occurs will be treated as ordinary loss to the extent of your total prior original issue discount inclusions with respect to the CD.

For individuals, such ordinary loss will not be subject to the limitation on miscellaneous itemized deductions.

#### *Sale, Exchange, Redemption or Other Disposition of CDs*

Upon the sale, exchange, redemption or other disposition of a CD, you will recognize gain or loss equal to the difference between your amount realized and your adjusted tax basis in the CD. Such gain on a CD generally will be treated as ordinary income. Loss from the disposition of a CD will be treated as ordinary loss to the extent of your prior net original issue discount inclusions with respect to the CD. Any loss in excess of that amount will be treated as capital loss. Special rules apply in determining the adjusted tax basis of a CD. Your adjusted tax basis in a CD is generally equal to your initial investment in the CD increased by any original issue discount you previously accrued on the CD, determined without regard to the adjustments discussed above, and reduced by the amounts of the projected payments on the CD.

#### Variable Rate CDs

Treasury regulations prescribe special rules for “variable rate debt instruments” that provide for the payment of interest based on certain floating or objective rates. In general, CDs will qualify as variable rate debt instruments (“variable rate CDs”) if (i) the issue price of the CDs does not exceed the total non-contingent principal payments due in respect of the CDs by more than an amount equal to the lesser of (A) 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date or (B) 15% of the total non-contingent principal payments, and (ii) the CDs provide for stated interest, paid or compounded at least annually, at “current values” of (A) one or more “qualified floating rates,” (B) a single fixed rate and one or more qualified floating rates, (C) a single “objective rate,” or (D) a single fixed rate and a single objective rate that is a “qualified inverse floating rate.” A current value of a rate is the value of the rate on any date that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

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 variable rate CDs are denominated. Although a multiple of a qualified floating rate generally will not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 can constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the variable rate CDs (*e.g.*, two or more qualified floating rates with values within 25 basis points of each other as determined on the issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum stated interest rate (*i.e.*, a cap), a minimum stated interest rate (*i.e.*, a floor) or a restriction on the amount of increase or decrease in the stated interest (*i.e.*, a governor) may, under certain circumstances, fail to be treated as a qualified floating rate unless such restrictions are fixed throughout the term of the variable rate CDs or are reasonably expected to not have a significant effect on the yield of the variable rate CDs.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as dividends, profits, or the value of the issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). An objective rate is a “qualified inverse floating rate” if the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The Treasury regulations also provide that if CDs provide for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the issue date is intended to approximate the fixed rate (*e.g.*, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. A rate will not be an objective rate if it is reasonably expected that the average value of the rate during the

first half of the CDs' term will be significantly less or greater than the average value of the rate during the last half of the CDs' term.

#### *Accrual of Interest*

If variable rate CDs provide for stated interest at either a single qualified floating rate or a single objective rate throughout their term, and such interest is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on such variable rate CDs will constitute qualified stated interest that is included in gross income by you as received or accrued in accordance with your regular methods of accounting for United States federal income tax purposes (unless you hold the variable rate CDs in a tax advantaged account (such as an IRA)). Thus, such variable rate CDs generally will not be treated as having been issued with original issue discount (“OID”) unless the variable rate securities are sold at a discount from their stated deposit amount, subject to a *de minimis* exception. In general, the amount of qualified stated interest and OID, if any, that accrues during an accrual period on such variable rate CDs is determined under the rules described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the variable rate CDs. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest that was accrued under the foregoing approach.

For other variable rate CDs, the timing and amount of OID and qualified stated interest will be determined by converting the variable rate CDs into “equivalent fixed rate debt instruments.” The conversion of the variable rate CDs into equivalent fixed rate debt instruments generally involves substituting for any qualified floating rate or qualified inverse floating rate a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the issue date, or substituting for any objective rate (other than a qualified inverse floating rate) a fixed rate that reflects the yield that is reasonably expected for the variable rate CDs. In the case of variable rate CDs that provide for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the variable rate CDs provide for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the variable rate CDs as of their issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse rate, the variable rate CDs are then converted into equivalent fixed rate debt instruments in the manner described above.

Once the variable rate CDs are converted into equivalent fixed rate debt instruments pursuant to the foregoing rules, the timing and amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instruments by applying the general OID rules to the equivalent fixed rate debt instruments. You will account for OID and qualified stated interest as if you held the equivalent fixed rate debt instruments. For 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 instruments in the event that such amounts differ from the actual amount of interest accrued or paid on the variable rate CDs during the accrual period.

#### *Sale, Exchange, Redemption or Other Disposition*

Upon the sale, retirement or other taxable disposition of variable rate CDs, you generally will recognize gain or loss equal to the difference between the amount realized upon the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid qualified stated interest, which will be taxable as ordinary interest income to the extent not previously included in gross income) and your adjusted tax basis of the CDs. In general, your adjusted tax basis of the CDs will equal your cost for the CDs, increased by OID previously included in gross income, if any. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, retirement or other taxable disposition the CDs have been held for more than one year. Under current United States federal income tax law, certain non-corporate United States holders,

including individuals, are eligible for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

### **Medicare Tax**

For taxable years beginning after December 31, 2012, a United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States holder's "net investment income" for the relevant taxable year and (2) the excess of the United States holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A United States holder's net investment income will generally include its interest income and net gain from the disposition of the CDs, unless such interest income and net gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Net investment income may, however, be reduced by properly allocable deductions to such income. United States holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains from the CDs.

### **Non-United States Holders**

The following discussion is a summary of certain United States federal income and estate tax consequences that will apply to you if you are a non-United States holder of CDs. Special rules may apply to you if you are a controlled foreign corporation, passive foreign investment company, foreign personal holding company or an individual who is a United States expatriate and therefore subject to special treatment under the Code. You should consult your own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to you.

#### *United States Federal Withholding Tax*

The 30% United States federal withholding tax will not apply to any payment, including original issue discount, on a CD provided that: you provide your name and address on an IRS Form W-8BEN and certify, under penalties of perjury, that you are not a United States holder or you hold your CDs through certain foreign intermediaries and you satisfy the certification requirements of applicable Treasury regulations. Special certification rules apply to holders that are pass-through entities rather than individuals.

If you hold a CD in connection with a United States trade or business, you must provide the Bank with IRS Form W-8ECI stating that interest paid on a CD is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

#### *United States Federal Income Tax*

Any gain or income on a CD will generally be subject to United States federal income tax if you are engaged in a trade or business in the United States, and gain or income on the CD is effectively connected with the conduct of that trade or business. In such case, you will be subject to United States federal income tax on such gain or income on a net income basis in the same manner as if you were a United States holder.

#### *United States Federal Estate Tax*

Your estate will not be subject to United States federal estate tax on CDs beneficially owned by you at the time of your death, provided that any payment to you on a CD, including original issue discount (1) would be eligible for exemption from the 30% withholding tax under the rules described under the heading "—Non-United States Holders—United States Federal Withholding Tax," without regard to the certification requirements, and (2) would not have been, if received at the time of your death, effectively connected with the conduct by you of a trade or business in the United States.

## **Legislation Affecting Taxation of CDs held by or through Foreign Entities**

Legislation was enacted in 2010 that will impose a 30% withholding tax on withholdable payments (as defined below) made to a foreign financial institution, unless such institution enters into an agreement with the Treasury to, among other things, collect and provide to it substantial information regarding such institution's United States financial account holders, including certain account holders that are foreign entities with United States owners. The legislation also generally imposes a 30% withholding tax on withholdable payments to a non-financial foreign entity unless such entity provides the paying agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity. "Withholdable payments" include payments of interest (including OID) from sources within the United States, as well as the gross proceeds from the sale of any property of a type which can produce interest from sources within the United States unless the payments of interest or gross proceeds are effectively connected with the conduct of a United States trade or business and taxed as such. Under final Treasury regulations effective January 28, 2013 and other administrative guidance, these withholding and reporting requirements will apply to payments on the CDs but, pursuant to published guidance issued by the IRS, withholding on gross proceeds will be delayed until January 1, 2019. You should consult your tax advisor regarding the application of the legislation and regulations to the CDs.

## **Information Reporting And Backup Withholding**

If you are a United States holder of CDs, information reporting requirements will generally apply to original issue discount accrued on the CDs, all payments the Bank makes to you and the proceeds from the sale of a CD paid to you unless you are an exempt recipient. Backup withholding tax at the applicable statutory rate will apply if you fail to provide a taxpayer identification number, a certification of exempt status, or if you fail to report in full interest income.

The Treasury has issued final regulations on the reporting of payments of interest and OID accrued on deposits of non-United States holders who are individuals. If you are an individual non-United States holder of CDs, for payments made on and after January 1, 2013, the Bank must report annually to the IRS and to you the amount of interest paid and OID accrued by the Bank and the tax withheld with respect to such payments, if any. Copies of the information returns reporting such payments, accrual and withholding may also be made available to foreign tax authorities with which the United States has in effect an information exchange agreement. Individual non-United States holders of CDs should not be subject to backup withholding regarding payments the Bank makes provided that the Bank does not have actual knowledge or reason to know that a holder is a United States holder and the Bank has received the statement described above under "Non-United States Holders—United States Federal Withholding Tax." If you are an individual non-resident Canadian holder of CDs, similar rules apply to payments and accruals made before January 1, 2013 (and you will be subject to the above-described rules for payments made on and after January 1, 2013). Individual non-United States holders should consult their tax advisors regarding the application of these final regulations.

In addition, if you are a non-United States holder, you will be subject to information reporting and, depending on the circumstances, backup withholding regarding the proceeds of the sale of a CD made within the United States or conducted through United States-related intermediaries, unless the payor receives the statement described above and you meet certain conditions, or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your United States federal income tax liability provided the required information is furnished to the IRS.

## CERTAIN ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan to which Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) applies (a “plan”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the CDs. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan. When the term “holder” is used in this section, it is referring to a beneficial owner of the CDs and not the record holder.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans to which Section 4975 of the Code applies (also “plans”), from engaging in specified transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (collectively, “parties in interest”) with respect to such plan. A violation of those “prohibited transaction” rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless statutory or administrative exemptive relief is available. Therefore, a fiduciary of a plan should also consider whether an investment in the CDs might constitute or give rise to a prohibited transaction under ERISA and the Code.

Employee benefit plans that are governmental plans, as defined in Section 3(32) of ERISA, certain church plans, as defined in Section 3(33) of ERISA, and foreign plans, as described in Section 4(b)(4) of ERISA (collectively, “non-ERISA arrangements”), are not subject to the requirements of ERISA, or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (“similar laws”).

The Bank and its affiliates may each be considered a party in interest with respect to many plans. Special caution should be exercised, therefore, before the CDs are purchased by a plan. In particular, the fiduciary of the plan should consider whether statutory or administrative exemptive relief is available. The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the CDs. Those class exemptions are:

- PTCE 96-23, for specified transactions determined by in-house asset managers;
- PTCE 95-60, for specified transactions involving insurance company general accounts;
- PTCE 91-38, for specified transactions involving bank collective investment funds;
- PTCE 90-1, for specified transactions involving insurance company separate accounts; and
- PTCE 84-14, for specified transactions determined by independent qualified professional asset managers.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for transactions between a plan and a person who is a party in interest (other than a fiduciary who has or exercises any discretionary authority or control with respect to investment of the plan assets involved in the transaction or renders investment advice with respect thereto) solely by reason of providing services to the plan (or by reason of a relationship to such a service provider), if in connection with the transaction the plan receives no less and pays no more, than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA).

Any purchaser or holder of the CDs or any interest in the CDs will be deemed to have represented by its purchase and holding that either:

- no portion of the assets used by such purchaser or holder to acquire or purchase the CDs constitutes assets of any plan or non-ERISA arrangement; or

- the purchase and holding of the CDs by such purchaser or holder will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any similar laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the CDs on behalf of or with “plan assets” of any plan consult with their counsel regarding the potential consequences under ERISA and the Code of the acquisition of the CDs and the availability of exemptive relief.

The CDs are contractual financial instruments. The financial exposure provided by the CDs is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the CDs. The CDs have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the CDs.

Each purchaser or holder of the CDs acknowledges and agrees that:

- (i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon the Bank or its affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (a) the design and terms of the CDs, (b) the purchaser or holder’s investment in the CDs, or (c) the exercise of or failure to exercise any rights the Bank has under or with respect to the CDs;
- (ii) the Bank and its affiliates have acted and will act solely for its and their own account in connection with (a) all transactions relating to the CDs and (b) all hedging transactions in connection with the Bank’s obligations under the CDs;
- (iii) any and all assets and positions relating to hedging transactions by the Bank or its affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;
- (iv) the Bank’s interests may be adverse to the interests of the purchaser or holder; and
- (v) neither the Bank nor any of its affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that the Bank or any of its affiliates may provide is not intended to be impartial investment advice.

Purchasers of the CDs have the exclusive responsibility for ensuring that their purchase, holding and subsequent disposition of the CDs does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar law. Nothing herein shall be construed as a representation that an investment in the CDs would be appropriate for, or would meet any or all of the relevant legal requirements with respect to investments by, plans or non-ERISA arrangements generally or any particular plan or non-ERISA arrangement.

## SELLING RESTRICTIONS

### **Argentina**

The CDs and the related offer to purchase CDs and sale of CDs under the terms and conditions provided in the accompanying Terms Supplement and this Disclosure Statement do not constitute a public offering in Argentina. Consequently the Bank has not registered, and will not register, the CDs under the Argentine Comisión Nacional de Valores, the Argentine securities governmental authority, nor has a public offering approval been requested or granted by the Comisión Nacional de Valores. The Bank has not requested, and will not request, any listing authorization of the CDs on any stock market in Argentina.

### **Brazil**

The CDs have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets and, as a result, have not been and will not be registered with the Comissão de Valores Mobiliários (“CVM”). Any public offering or distribution, as defined under Brazilian laws and regulations, of the CDs in Brazil is not legal without prior registration under Law 6,385/76, and CVM Instruction 400/03. Documents relating to the offering of the CDs, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the CDs is not a public offering of CDs in Brazil), nor be used in connection with any offer for subscription or sale of the CDs to the public in Brazil. Therefore, each of the purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the CDs in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of CDs in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the CDs within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

### **Chile**

The CDs have not been registered with the Superintendencia de Valores y Seguros in Chile and may not be offered or sold publicly in Chile. No offer, sales or deliveries of the CDs, or distribution of the accompanying Terms Supplement or this Disclosure Statement, may be made in or from Chile except in circumstances which will result in compliance with any applicable Chilean laws and regulations. Neither this Disclosure Statement nor its related materials constitute an offer of, or an invitation to subscribe for or purchase, the CDs in the Republic of Chile, other than to individually identified buyers pursuant to a private offering within the meaning of article 4 of the Ley de Mercado de Valores (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

### **Taiwan**

The CDs may be made available outside Taiwan for purchase by Taiwan residents outside Taiwan but may not be offered or sold in Taiwan.