

NS&I Capital Bonds



Changing Bonds

The options open to you



From 23 February 2008, NS&I Capital Bonds will no longer be on sale.

But don't worry, you can keep any Bonds you already hold. They will carry on earning interest until they mature.

Read this leaflet to find out your options when your Bond matures.

With NS&I you can be sure that all of your capital is 100% secure. We can give you this guarantee because National Savings and Investments is backed by HM Treasury. As part of our commitment to good service, we subscribe to the Banking Code.

Making things simpler

As some of our investments are very similar to each other, we have decided to streamline our range – so we are taking NS&I Capital Bonds off sale. This will make things simpler and more straightforward for our customers.

Even though Capital Bonds will no longer be on sale, you will be able to keep your Bonds until they mature.

The choice is yours

As your Bond approaches its maturity date, you should start thinking about what you want to do with your investment. You have two options:

- reinvest your money into another NS&I investment
- cash in your Bond

It's your money, so you will need to choose the best option for you.

No need to worry

Even though we are taking Capital Bonds off sale, any money you've invested will stay 100% secure.

However, unlike before, once your Bond matures it will not automatically be reinvested for a new term. When it matures, your Bond will stop earning interest. So, to get the most out of your money, you will need to decide what you want to do with your Bond when it matures.

Our guarantee

- ✓ your original investment is 100% secure
- ✓ your Bond will continue to earn interest until it matures
- ✓ once your Bond matures, your capital remains secure and you'll be able to get it back at any time

Your Bond will continue earning interest as normal until it matures. See your letter from NS&I to find out the maturity date.

Reinvesting your money – the options

When your Capital Bond matures, you have the option of reinvesting into another NS&I investment or cashing in your Bond. It's up to you.

If you do want to reinvest, and would like your money to grow at a fixed rate of interest for a set term, then NS&I Guaranteed Growth Bonds might be right for you.

Guaranteed Growth Bonds

Guaranteed Growth Bonds offer you the opportunity to invest for a set period at fixed rates, so you know exactly what return you'll get on your money. And there is a choice of investment terms – 1-year, 3-year and 5-year – so you can decide which one suits you best.

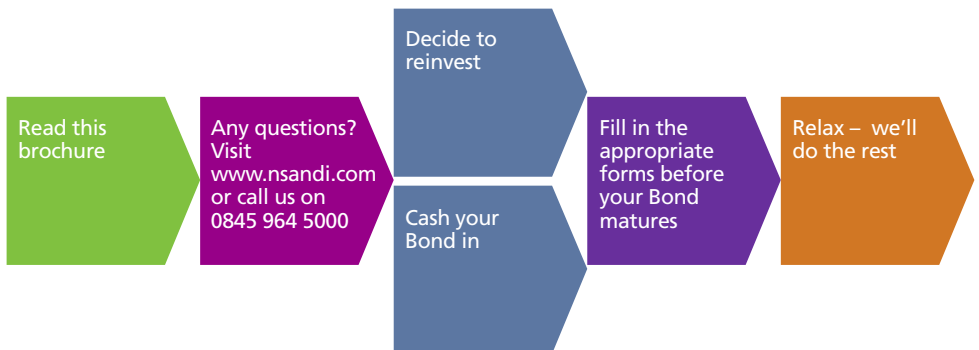
The main features of Guaranteed Growth Bonds are:

- capital growth at guaranteed rates
- choice of investment terms
- interest taxable, paid net
- penalty for early access

Our full range of savings and investments

We also offer a wide range of other investments, designed to suit different people's needs. Whether you're looking for income, growth, guaranteed interest or variable interest, chances are you'll find an NS&I investment that's right for you.

Take a look at our full range of savings and investments at www.nsandi.com



Comparing our growth investments

This table helps you to understand how our Guaranteed Growth Bonds differ from Capital Bonds.

No longer on sale

	Guaranteed Growth Bonds	Capital Bonds
Capital growth	✓	✓
Investment terms	1, 3 and 5 years	5 years
Interest rate	Fixed	Fixed
Minimum and maximum investment	£500 £1 million	£100 £1 million
Tax status	Taxable – paid net	Taxable – paid gross
Penalty for early access	Yes – 90 days' interest	No, but lower rate of interest earned
Minimum age	16	7 (but can be bought for a child under 7)

When your Bond matures, you can reinvest it in any other NS&I investment. Or you can cash it in. The choice is yours.

Don't forget...

If you're interested in reinvesting in Guaranteed Growth Bonds, you will need to be at least 16 years old and hold a minimum of £500. You can also invest in trust for someone of any age.

Otherwise, you can invest in one of our other products – visit www.nsandi.com to see our full range.

Before you decide

Before you decide whether you'd like to reinvest, it's worth thinking about the following things.

Buying for a child

If the Capital Bond holder is between the ages of 7 and 16, they cannot buy Guaranteed Growth Bonds in their own name. However, they can reinvest their money into an NS&I Investment Account or certain other NS&I investments. See www.nsandi.com to find out more.

If the Capital Bonds are held on behalf of a child under 7, the parents or guardians will need to decide which NS&I investment to reinvest in instead. See www.nsandi.com for the full range of our savings and investments.

Minimum investment

Guaranteed Growth Bonds have a minimum investment of £500. If you hold less than this amount in Capital Bonds, you may want to reinvest the money into our Investment Account instead. See www.nsandi.com to find out more.

Trust and joint accounts

As with Capital Bonds, you can invest in Guaranteed Growth Bonds jointly with someone else. They can also be bought by trustees for up to two people of any age.



After your Bond matures, it will not earn any further interest – so you'll need to decide whether to reinvest your money or cash in your Bond.

Paying tax on Guaranteed Growth Bonds

Like Capital Bonds, the interest on NS&I Guaranteed Growth Bonds is taxable, but the way the tax is paid is different.

With our Guaranteed Growth Bonds the tax is deducted at source ('paid net') – this means that we take off the tax ourselves before we credit your interest. If you are a basic rate taxpayer, you won't have to do anything more. However, if you pay tax at the higher rate, you will need to declare the interest to HM Revenue & Customs and pay the extra tax when it is due. Non-taxpayers and starting rate taxpayers can claim the excess back from HM Revenue & Customs.

Please note that we don't currently accept R85 forms, so non-taxpayers can't receive the interest gross.

We can't advise you on how much tax you will need to pay. Visit www.hmrc.gov.uk to find out more.

What next?

Your Bond will continue to earn interest until it matures, so don't worry. However, it will stop earning interest after it matures – so it's important to let us know what you would like to do before the maturity date.

If you hold other Capital Bonds which mature at later dates, they will continue earning interest until then. We will write to you about them separately, nearer the time.

To reinvest or cash in your Bond, just fill in the appropriate form(s) and send it back to us in the envelope provided.

If you have any questions visit:
www.nsandi.com

Or call us on:
0845 964 5000

Our UK customer service team is available every day from 7am until midnight. Maximum call charge 4p per minute from a BT landline; charges from other providers may vary. Calls may be recorded.

Remember, your money is still 100% secure with us. Whatever your decision, we're here to help.

Having trouble reading this brochure?

This brochure is also available in Braille, audio tape and large print. Minicom (textphone) users can contact us on 0800 056 0585.