

COLGATE PALMOLIVE CO
Form 424B2
July 26, 2012

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Registration No. 333-177551

PROSPECTUS SUPPLEMENT
(To prospectus dated October 27, 2011)

**Medium-Term Notes, Series H
Due One Year or More from Date of Issue**

The notes:

We will offer notes from time to time and specify the terms and conditions of each issue of notes in a pricing supplement.

The notes will be senior unsecured debt securities of Colgate.

The notes will have stated maturities of one year or more from the date they are originally issued.

We will pay amounts due on the notes in U.S. dollars or one or more foreign currencies described in the applicable pricing supplement.

The notes may bear interest at fixed or floating rates or may not bear any interest. If the notes bear interest at a floating rate, the floating rate may be based on one or more indices or formulas.

We will specify in the applicable pricing supplement whether the notes can be redeemed or repaid before their maturity and whether they are subject to mandatory redemption, redemption at the option of Colgate or repayment at the option of the holder of the notes.

Investing in the notes involves certain risks. See Risk Factors beginning on page S-3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

We may sell notes to the agents referred to below as principals for resale at varying or fixed offering prices or through the agents as agents using their reasonable efforts on our behalf. We may also sell notes without the assistance of the agents, whether acting as principal or as agent.

BofA Merrill Lynch

Citigroup

Deutsche Bank Securities

Goldman, Sachs & Co.

J.P. Morgan

Morgan Stanley

The date of this prospectus supplement is July 26, 2012

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, any pricing supplement and any related free writing prospectus issued or authorized by us. Neither we nor any agent acting on our behalf has authorized any person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any agent acting on our behalf is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, any pricing supplement and any related free writing prospectus issued or authorized by us is accurate only as of the date on the front cover of this prospectus supplement, the accompanying prospectus, the applicable pricing supplement, any applicable free writing prospectus or the document incorporated by reference, as applicable.

Unless the context otherwise requires, references in this prospectus supplement to Colgate, we, us and our are to Colgate-Palmolive Company.

References in this prospectus supplement to agent or agents are to any or all, respectively, of Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, or any other agent appointed by us.

RISK FACTORS

Your investment in the notes is subject to certain risks, especially if the notes involve a foreign currency in some way. This prospectus supplement does not describe all of the risks of an investment in the notes, whether arising because the notes are denominated in a currency other than U.S. dollars or because the return on the notes is linked to one or more interest rate or currency indices or formulas. You should consult your own financial and legal advisors about the risks entailed by an investment in the notes and the suitability of your investment in the notes in light of your particular circumstances. The notes are not an appropriate investment for you if you are unsophisticated with respect to transactions involving an index or formula used to determine amounts payable or transactions in which foreign currencies are involved. Before investing in the notes, you should consider carefully, among other factors, the matters described below.

Structure Risks of Notes Indexed to Interest Rates, Currencies or Other Indices or Formulas

If you invest in notes indexed to one or more interest rates, currencies or other indices or formulas, you will be subject to significant risks not associated with a conventional fixed rate or floating rate debt security. Indexing of the interest rate of a note may result in lower (or no) interest compared to a conventional fixed rate debt security issued at the same time. Indexing of the principal of a note may result in the payment of a lower amount of principal compared to the original purchase price of the note or may, in certain instances, result in the loss of your entire investment. The value of an index can fluctuate based on a number of interrelated factors, including economic, financial and political events over which we have no control. Additionally, if the formula that we specify to determine the amount of principal, and/or interest payable with respect to indexed notes contains a multiplier or leverage factor, that feature will magnify the effect of any change in the index. You should not view the historical experience of an index as an indication of its future performance.

Redemption May Adversely Affect Your Return on the Notes

If your notes are redeemable at our option or are otherwise subject to mandatory redemption, we may, in the case of optional redemption, or must, in the case of mandatory redemption, choose to redeem your notes at times when prevailing interest rates may be relatively low. Accordingly, you generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes being redeemed.

There May Be an Uncertain Trading Market for Your Notes; Many Factors Affect the Trading Value of Your Notes

Upon issuance, your notes will not have an established trading market. We cannot assure you that a trading market for your notes will ever develop or, if developed, be maintained. Many factors independent of our creditworthiness may affect the trading market of your notes. These factors include:

the
complexity
and
volatility of
the index or
formula
applicable
to your
notes,

the method
of
calculating
the
principal,
premium
and interest
in respect of
your notes,

the time
remaining
to the
maturity of
your notes,

the
outstanding
amount of
your notes,

any
redemption
features of
your notes,

the amount
of other
securities
linked to the
index or
formula
applicable
to your
notes, and

the level,
direction
and
volatility of
market
interest
rates
generally.

In addition, notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility than those not so designed. There may be a limited number of buyers when you decide to sell your notes. This may affect the price you receive for these notes or your ability to sell these notes at all. You should not purchase notes unless you understand and know you can bear all of the investment risks involving your notes.

Our Credit Ratings May Not Reflect All Risks of an Investment in the Notes

Our credit ratings are an assessment by independent rating agencies of our ability to pay our obligations. Consequently, actual or anticipated changes in these credit ratings will generally affect the market value and marketability of your notes. These credit ratings, however, may not reflect the potential impact of risks related to structure, market or other factors discussed in this prospectus supplement on the value of your notes.

Exchange Rates and Exchange Controls May Affect the Value of Foreign Currency Notes

If you invest in notes that are denominated and/or payable in a currency other than U.S. dollars, you will be subject to significant risks not associated with an investment in a debt security denominated and payable in U.S. dollars, including the possibility of material changes in the exchange rate between U.S. dollars and your payment currency and the imposition or modification of exchange controls by the applicable governments. We have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on your foreign currency notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of your payment currency would result in a decrease in the U.S. dollar equivalent yield of your foreign currency notes, in the U.S. dollar equivalent value of the principal and any premium payable at maturity or earlier redemption of your foreign currency notes and, generally, in the U.S. dollar equivalent market value of your foreign currency notes.

Governmental exchange controls could affect exchange rates and the availability of your payment currency on a required payment date. Even if there are no exchange controls, it is possible that your payment currency will not be available on a required payment date because of circumstances beyond our control. In such cases, we will be allowed to satisfy our obligations in respect of your foreign currency notes in U.S. dollars.

You should consult your financial and legal advisors about the risks associated with foreign currency notes. You should not purchase such notes if you are unsophisticated with regard to foreign currency transactions.

Exchange Rates May Affect the Value of a Judgment of a U.S. Court Involving Foreign Currency Notes

The indenture and the notes, including foreign currency notes, except to the extent that we specify otherwise in a pricing supplement, will be governed by, and construed in accordance with, the laws of the State of New York. As a holder of notes, you may bring an action based upon an obligation payable in a currency other than U.S. dollars in courts in the United States. However, courts in the United States have not customarily rendered judgments for money damages denominated in any currency other than U.S. dollars. In addition, it is not clear whether in granting such a judgment, the rate of conversion would be determined with reference to the date of default, the date judgment is rendered or any other date. The Judiciary Law of the State of New York provides, however, that an action based upon an obligation payable in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation and converted into U.S. dollars at a rate of exchange prevailing on the date the judgment or decree is entered. In these cases, holders of foreign currency notes would bear the risk of exchange rate fluctuations between the time the dollar amount of the judgment is calculated and the time U.S. dollars were paid to the holders.

DESCRIPTION OF THE NOTES

The notes will be issued as part of a series of debt securities under a senior indenture, dated as of November 15, 1992 (the indenture), between Colgate and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee. The term debt securities, as used in this prospectus supplement, refers to all securities issued and issuable from time to time under the indenture and includes the notes. The debt securities and the indenture are more fully described in the accompanying prospectus. The pricing supplement will add specific terms for each issuance of notes and may modify or replace any information in this section and in Description of Debt Securities in the accompanying prospectus. The following summary of the material provisions of the notes and of the indenture is not complete and is qualified in its entirety by reference to the indenture, a copy of which has been filed as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus are a part.

The following description of notes will apply unless otherwise specified in the applicable pricing supplement.

Terms of the Notes

All debt securities, including the notes, issued and to be issued under the indenture will be unsecured general obligations of Colgate and will rank equally with all the other unsecured and unsubordinated indebtedness of Colgate from time to time outstanding.

The indenture does not limit the aggregate principal amount of debt securities which we may issue. We may issue our debt securities from time to time as a single series or in two or more separate series up to the aggregate principal amount from time to time as we may authorize for each series. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indenture.

The notes will be offered on a continuing basis and will mature on a day one year or more from the date of issue, as selected by the purchaser and agreed to by us. Interest-bearing notes will bear interest at either fixed or floating rates as specified in the applicable pricing supplement. Some notes may not bear interest. Notes may be issued at significant discounts from their principal amount payable at maturity, which will be either the stated maturity date or any date before the stated maturity date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at our option, repayment at the option of the holder or otherwise. The stated maturity date or such prior date, as the case may be, is referred to as the Maturity Date with respect to the principal, and premium, if any, repayable on that date. For further information regarding such discount notes, see Original Issue Discount Notes and Certain United States Federal Income Tax Considerations U.S. Holders Original Issue Discount.

Unless otherwise indicated in a note and in the applicable pricing supplement, the notes will be denominated in United States dollars and we will make payments of principal of, and premium, if any, and interest on, the notes in United States dollars. For further information regarding foreign currency notes, see Risk Factors and Special Provisions Relating to Foreign Currency Notes.

Each note will be issued in fully registered book-entry form or certificated form, without coupons, in denominations of \$1,000 and integral multiples of \$1,000, unless otherwise specified in the applicable pricing supplement. Notes in book-entry form may be transferred or exchanged only through a participating member of The Depository Trust Company, also known as DTC, or any other depository as is identified in the applicable pricing supplement. See Book-Entry Notes.

Registration of transfer of notes in certificated form will be made at the corporate trust office of the trustee. There will be no service charge for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with any transfer or exchange, other than exchanges pursuant to the indenture not involving any transfer.

The pricing supplement relating to a note will describe the following terms:

whether the
note will bear
interest at a
fixed rate or at
a floating rate,
or will not bear
any interest;

the price
(expressed as a
percentage of
the aggregate
principal
amount) at
which the note
will be issued;

the date on
which the note
will be issued;

the date on
which the note
will mature;

if the note is a
fixed rate note,
the rate per
annum at
which the note
will bear
interest and the
interest
payment dates;

if the note is a
floating rate
note, the terms
relating to the
determination
and payment
of the variable
interest rate
and the interest
payment dates;

if the note may
be redeemed at
our option, or

repaid at the option of the holder, prior to the stated maturity, a description of the provisions relating to the redemption or repayment;

any sinking fund or other mandatory redemption provisions applicable to the note;

if the note will be issued as a certificated note, a statement to that effect;

any other terms of the note not inconsistent with the provisions of the indenture;

the identity of any additional agent through or to whom the note is being sold; and

the amount of discounts or commissions to be paid to an agent if different from those specifically set forth in the distribution

agreement
which is filed
as an exhibit to
the registration
statement of
which this
prospectus
supplement
and the
accompanying
prospectus are
a part.

The interest rates we offer with respect to the notes may differ depending upon, among other things, the aggregate principal amount of notes purchased in any single transaction. We may change interest rates or formulas and other terms of the notes from time to time, but no change will affect any note already issued or as to which we have accepted an offer to purchase. We may offer notes with similar variable terms other than interest rates concurrently at any time. We may also concurrently offer notes having different variable terms to different investors.

Payment of Principal, Premium and Interest

We will make payments of principal of, and premium and interest, if any, on notes in book-entry form through the trustee to the depository or its nominee. See [Book-Entry Notes](#) .

In the case of notes in certificated form, we will make payment of principal and premium, if any, at the maturity of each note in immediately available funds upon presentation and surrender of the note and, in the case of any repayment on an optional repayment date, upon submission of a duly completed election form if and as required by the provisions described below, at the corporate trust office of the trustee in the Borough of Manhattan, The City of New York, or at any other place as we may designate. Payment of interest, if any, due at maturity will be made to the person to whom payment of the principal and premium, if any, of the note in certificated form will be made. Payment of interest, if any, due on notes in certificated form other than at maturity will be made at the corporate trust office of the trustee or, at our option, by check mailed to the address of the person entitled to receive payment as the address shall appear in the security register. Notwithstanding the immediately preceding sentence, a holder of \$10,000,000 or more in aggregate principal amount of notes in certificated form, whether having identical or different terms and provisions, having the same interest payment dates will, at our option, be entitled to receive interest payments, other than at maturity, if any, by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the trustee not less than 15 days prior to the applicable interest payment date. Any wire instructions received by the trustee shall remain in effect until revoked by the holder.

Redemption at the Option of Colgate

Unless otherwise provided in the applicable pricing supplement, the notes will not be subject to any sinking fund. We may redeem the notes at our option prior to their stated maturity only if an initial redemption date is specified in the applicable notes and in the applicable pricing supplement or as otherwise provided therein. If so indicated in the applicable pricing supplement, on and after the initial redemption date, we may redeem the related note at any time in whole or from time to time in part at our option at the applicable redemption price referred to below together with interest on the principal of the applicable note payable to the redemption date. Unless otherwise specified in the applicable pricing supplement, we must provide notice of a redemption not more than 60 nor less than 30 days before the redemption date. We will redeem the notes in increments of \$1,000, provided that any remaining principal amount will be an authorized denomination of the applicable note. Unless otherwise specified in the applicable pricing supplement, the redemption price with respect to a note will initially mean a percentage (*i.e.*, the initial redemption percentage), of the principal amount of the note to be redeemed specified in the applicable pricing supplement and shall decline at each anniversary of the initial redemption date by a percentage specified in the applicable pricing supplement (*i.e.*, the annual redemption percentage reduction) of the principal amount to be redeemed until the redemption price is 100% of the principal amount.

Repayment at the Option of the Holder

If so indicated in the applicable pricing supplement, we will repay the notes in whole or in part at the option of the holders of the notes on any optional repayment date specified in the applicable pricing supplement. If no optional repayment date is indicated with respect to a note, it will not be repayable at the option of the holder before its stated maturity date. Any repayment in part will be in an amount equal to \$1,000 or integral multiples of \$1,000, provided that any remaining principal amount will be an authorized denomination of the applicable note. The repurchase price for any note so repurchased will be 100% of the principal amount to be repaid, together with any unpaid interest on the principal of the applicable note payable to the date of repayment. For any note to be repaid, the trustee must receive, at its office maintained for such purpose in the Borough of Manhattan, The City of New York, currently the corporate trust office of the trustee, not more than 60 nor less than 30 days before the optional repayment date:

in the case
of a note in
certificated
form, the
note and the
form entitled
Option to
Elect
Repayment
duly
completed,
or

in the case
of a note in
book-entry
form,
instructions
to that effect
from the
applicable

beneficial
owner of the
global
security
representing
the notes to
the
depository
and
forwarded
by the
depository.

Any notice of election from a holder to exercise the repayment option must be received by the trustee by 5:00 p.m., New York City time, on the last day for giving such notice. Exercise of the repayment option by the holder of a note will be irrevocable.

Only the depository may exercise the repayment option in respect of global securities representing notes in book-entry form. Accordingly, beneficial owners that desire to have all or any portion of their notes in book-entry form represented by global securities repaid must instruct the participant through which they own their interest to direct the depository to exercise the repayment option on their behalf by forwarding the repayment instructions to the trustee as discussed above. In order to ensure that the instructions are received by the trustee on a particular day, the applicable beneficial owner must so instruct the participant through which it owns its interest before that participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners of notes in book-entry form should consult the participants through which they own their interest for the respective deadlines. All instructions given to participants from beneficial owners of notes in book-entry form relating to the option to elect repayment will be irrevocable. In addition, at the time instructions are given, each beneficial owner will cause the participant through which it owns its interest to transfer its interest in the global security or securities representing the related notes in book-entry form, on the depository's records, to the trustee. See Book-Entry Notes .

If applicable, we will comply with the requirements of Section 14(e) of the Securities Exchange Act of 1934 and the rules promulgated thereunder and any other securities laws or regulations in connection with any repayment at the option of the holder.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes that we purchase may, at our discretion, be held, resold or surrendered to the trustee for cancellation.

Interest and Interest Rates

Unless otherwise specified in an applicable pricing supplement, each interest-bearing note will bear interest from the date of issue at the rate per annum or, in the case of a floating rate note, pursuant to the interest rate formula, stated in the applicable note and in the applicable pricing supplement until the principal of the note is paid or made available for payment. Interest payments on fixed rate notes and floating rate notes will equal the amount of interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or made available for payment or from and including the date of issue, if no interest has been paid or made available for payment with respect to the note, to, but excluding, the related interest payment date or Maturity Date, as the case may be.

We will pay interest in arrears on each interest payment date specified in the applicable pricing supplement on which an installment of interest is due and payable and on the Maturity Date. We will pay interest to the persons in whose names the notes are registered as of the regular record date. However, interest that we pay on the Maturity Date, if any, will be payable to the persons to whom the principal will be payable. If any note is originally issued between a regular record date and the related interest payment date, we will make the first payment of interest on that note on the interest payment date immediately following the next succeeding regular record date to the registered holder on that next succeeding regular record date. The regular record date will be the fifteenth calendar day, whether or not a Business Day, immediately preceding the related interest payment date.

Business Day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that, with respect to non-United States dollar- denominated notes, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center, as defined below, of the country issuing the specified currency or, if the specified currency is euro, the day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor, is open (a Target Settlement Day); provided, further, that, with respect to floating rate notes as to which LIBOR is an applicable Interest Rate Basis, the day is also a London Banking Day, as defined below, and that, with respect to floating rate notes as to which EURIBOR is an applicable Interest Rate Basis, the day is also a Target Settlement Day.

London Banking Day means a day on which commercial banks are open for business, including dealings in the Designated LIBOR Currency, as defined below under Floating Rate Notes LIBOR , in London.

Principal Financial Center means, unless otherwise specified in the applicable pricing supplement,

- (1) the capital
city of the
country
issuing the
specified
currency, or

- (2) the capital
city of the
country to
which the
Designated
LIBOR
Currency
relates,

except, in each case, that with respect to United States dollars, Australian dollars, Canadian dollars, Euros, New Zealand dollars, South African rand and Swiss francs, the Principal Financial Center will be The City of New York, Sydney, Toronto, London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

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Fixed Rate Notes

Unless otherwise specified in the applicable pricing supplement, interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable semiannually on June 1 and December 1 of each year and on the Maturity Date.

If any interest payment date or the Maturity Date of a fixed rate note falls on a day that is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day as if made on the date the applicable payment was due, and no interest will accrue on the amount payable for the period from and after the interest payment date or Maturity Date, as the case may be, to the date of such payment on the next succeeding Business Day.

Floating Rate Notes

Interest on floating rate notes will be determined by reference to the applicable Interest Rate Basis or Interest Rate Bases, which may be one or more of the following:

the CD Rate,

the CMT
Rate,

the
Commercial
Paper Rate,

the Eleventh
District Cost
of Funds
Rate,

EURIBOR,

the Federal
Funds Rate,

LIBOR,

the Prime
Rate,

the Treasury
Rate, or

any other
Interest Rate
Basis or
interest rate
formula that
is specified

in the
applicable
pricing
supplement.

Terms. Each applicable pricing supplement will specify the terms of the floating rate note being offered thereby, including the following:

whether
the
floating
rate note
is

a Regular
Floating
Rate Note ,

a Floating
Rate/Fixed
Rate Note ,
or

an Inverse
Floating
Rate Note ,

the Interest
Rate Basis
or Bases,

the Initial
Interest
Rate, if any,

the Interest
Reset
Dates,

the Interest
Payment
Dates,

the period
to maturity
of the
instrument
or
obligation
with respect
to which the

Interest
Rate Basis
or Bases
will be
calculated
(the Index
Maturity),

the
Maximum
Interest
Rate and
Minimum
Interest
Rate, if any,

the number
of basis
points to be
added to or
subtracted
from the
related
Interest
Rate Basis
or Bases
(the
Spread),

the
percentage
of the
related
Interest
Rate Basis
or Bases by
which the
Interest
Rate Basis
or Bases
will be
multiplied
to
determine
the
applicable
interest rate
(the Spread
Multiplier),

if one or
more of the
specified
Interest
Rate Bases
is the CMT
Rate, the
Reuters
Page and, if
applicable,
the weekly
average or
the monthly
average,
and

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if one or
more of the
specified
Interest
Rate Bases
is LIBOR,
the
Designated
LIBOR
Currency
and the
Designated
LIBOR
Page.

The interest rate borne by the floating rate notes will be determined as follows:

Regular Floating Rate Notes. Unless a floating rate note is designated as a Floating Rate/Fixed Rate Note, an Inverse Floating Rate Note or as having an Addendum attached or as having other provisions apply relating to a different interest rate formula, it will be a Regular Floating Rate Note and, except as described below or in the applicable pricing supplement, will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases:

plus or
minus the
applicable
Spread, if
any, and/or

multiplied
by the
applicable
Spread
Multiplier,
if any.

Commencing on the first Interest Reset Date, as defined below, the rate at which interest on the Regular Floating Rate Note will be payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period from the date of issue to, but excluding, the first Interest Reset Date will be the Initial Interest Rate.

Floating Rate/Fixed Rate Notes. If a floating rate note is designated as a Floating Rate/Fixed Rate Note, then, except as described below or in the applicable pricing supplement, it will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases:

plus or
minus the
applicable
Spread, if
any, and/or

multiplied
by the
applicable
Spread
Multiplier,
if any.

Commencing on the first Interest Reset Date, the rate at which interest on the applicable Floating Rate/Fixed Rate Note will be payable will be reset as of each Interest Reset Date; provided, however, that:

the interest
rate in effect
for the period
from the date
of issue to,
but
excluding,
the first
Interest Reset
Date will be
the Initial
Interest Rate,
and

the interest
rate in effect
commencing
on, and
including, the
date on
which
interest
begins to
accrue on a
fixed rate
basis to
maturity will
be the Fixed
Interest Rate
specified in
the
applicable
pricing
supplement,
or if no Fixed
Interest Rate
is specified,
the interest
rate in effect
on the
Floating

Rate/Fixed
Rate Note on
the day
immediately
preceding the
date on
which
interest
begins to
accrue on a
fixed rate
basis.

Inverse Floating Rate Notes. If a floating rate note is designated as an Inverse Floating Rate Note , except as described below or in the applicable pricing supplement, it will bear interest at the Fixed Interest Rate specified in the applicable pricing supplement minus the rate determined by reference to the applicable Interest Rate Basis or Bases:

plus or
minus the
applicable
Spread, if
any, and/or

multiplied
by the
applicable
Spread
Multiplier,
if any;

provided, however, that the interest rate on the applicable Inverse Floating Rate Note will not be less than zero percent. Commencing on the first Interest Reset Date, the rate at which interest on the applicable Inverse Floating Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period from the date of issue to, but excluding, the first Interest Reset Date will be the Initial Interest Rate.

Each Interest Rate Basis shall be the rate determined in accordance with the applicable provisions below. Except as set forth above or in the applicable pricing supplement, the interest rate in effect on each day will be:

if the day is an
Interest Reset
Date, the
interest rate
determined as
of the Interest
Determination
Date (as
defined below)
immediately
preceding the
applicable
Interest Reset

Date, or

if the day is
not an Interest
Reset Date, the
interest rate
determined as
of the Interest
Determination
Date
immediately
preceding the
most recent
Interest Reset
Date;
provided,
however, that
the interest
rate in effect
for the period
from the date
of issue to, but

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excluding,
the first
Interest
Reset Date
will be the
Initial
Interest Rate
specified in
the
applicable
pricing
supplement.

Interest Reset Dates. The applicable pricing supplement will specify the dates on which the interest rate on the related floating rate note will be reset (each, an Interest Reset Date). Unless otherwise specified in the applicable pricing supplement, the Interest Reset Dates will be, in the case of floating rate notes which reset:

daily each
Business Day;

weekly the
Wednesday of
each week, with
the exception of
weekly reset
floating rate
notes as to
which the
Treasury Rate is
an applicable
Interest Rate
Basis, which
will reset the
Tuesday of each
week, except as
described
below;

monthly the
third
Wednesday of
each month,
with the
exception of
monthly reset
floating rate
notes as to
which the
Eleventh
District Cost of
Funds Rate is

an applicable
Interest Rate
Basis, which
will reset on the
first calendar
day of the
month;

quarterly the
third
Wednesday of
March, June,
September and
December of
each year;

semiannually the
third
Wednesday of
the two months
specified in the
applicable
pricing
supplement;
and

annually the
third
Wednesday of
the month
specified in the
applicable
pricing
supplement;

provided, however, that with respect to Floating Rate/Fixed Rate Notes, the rate of interest will not reset after the applicable date on which interest on a fixed rate basis begins to accrue.

If any Interest Reset Date for any floating rate note would otherwise be a day that is not a Business Day, the applicable Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that in the case of a floating rate note as to which EURIBOR or LIBOR is an applicable Interest Rate Basis, if the Business Day falls in the next succeeding calendar month, then the Interest Reset Date will be the immediately preceding Business Day. In addition, in the case of a floating rate note for which the Treasury Rate is an applicable Interest Rate Basis, if the Interest Determination Date would otherwise fall on an Interest Reset Date, then the applicable Interest Reset Date will be postponed to the next succeeding Business Day.

Maximum and Minimum Interest Rates. A floating rate note may also have either or both of the following:

a
maximum
numerical

limitation,
or ceiling,
on the rate
at which
interest
may
accrue
during any
interest
period (a
Maximum
Interest
Rate), and

a
minimum
numerical
limitation,
or floor,
on the rate
at which
interest
may
accrue
during any
period (a
Minimum
Interest
Rate).

The indenture is, and any notes issued under the indenture will be, governed by and construed in accordance with the laws of the State of New York. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to securities in which \$2,500,000 or more has been invested. While we believe that New York law would be given effect by a state or federal court sitting outside of New York, state laws frequently regulate the amount of interest that may be charged to and paid by a borrower, including, in some cases, corporate borrowers. We suggest that prospective investors consult their personal advisors with respect to the applicability of these laws. We have agreed for the benefit of the beneficial owners of the notes, to the extent permitted by law, not to claim voluntarily the benefits of any laws concerning usurious rates or interest against a beneficial owner of the notes.

Interest Payments. Each applicable pricing supplement will specify the dates on which interest will be payable. Each floating rate note will bear interest from the date of issue at the rates specified in the applicable floating rate note until the principal of the applicable note is paid or otherwise made available for payment. Except as provided below or in the applicable pricing supplement, the interest payment dates with respect to floating rate notes will be, in the case of floating rate notes which reset:

daily, weekly or
monthly the
third
Wednesday of
each month or
on the third
Wednesday of
March, June,
September and
December of
each year, as
specified in the
applicable
pricing
supplement;

quarterly the
third
Wednesday of
March, June,
September and
December of
each year;

semiannually the
third
Wednesday of
the two months
of each year
specified in the
applicable
pricing
supplement;

annually the
third
Wednesday of
the month of
each year
specified in the
applicable
pricing
supplement;
and

the Maturity
Date.

If any interest payment date for any floating rate note, other than an interest payment date on the Maturity Date, would otherwise be a day that is not a Business Day, the interest payment date will be postponed to the next succeeding day that is a Business Day except that in the case of a floating rate note as to which EURIBOR or LIBOR is an applicable

Interest Rate Basis, if the Business Day falls in the next succeeding calendar month, the applicable interest payment date will be the immediately preceding Business Day. If the Maturity Date of a floating rate note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest will be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date to the date of that payment on the next succeeding Business Day.

All percentages resulting from any calculation on floating rate notes will be rounded to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point rounded upwards. For example, 9.876545%, or .09876545, would be rounded to 9.87655%, or .0987655. All amounts used in or resulting from any calculation on floating rate notes will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign currency, to the nearest unit (with one half cent or unit being rounded upward).

With respect to each floating rate note, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Unless otherwise specified in the applicable pricing supplement, the accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated.

In the case
of notes for
which the
Interest Rate
Basis is the
CD Rate, the
Commercial
Paper Rate,
the Eleventh
District Cost
of Funds
Rate,
EURIBOR,
the Federal
Funds Rate,
LIBOR or
the Prime
Rate, the
interest
factor for
each day
will be
computed by
dividing the
interest rate
applicable to
each day by
360.

In the case
of notes for
which the
Interest Rate
Basis is the

CMT Rate
or the
Treasury
Rate, the
interest
factor for
each day
will be
computed by
dividing the
interest rate
applicable to
each day by
the actual
number of
days in the
year.

The interest
factor for
floating rate
notes for
which the
interest rate
is calculated
with
reference to
two or more
Interest Rate
Bases will
be calculated
in each
period in the
same
manner as if
only the
applicable
Interest Rate
Basis
specified in
the
applicable
pricing
supplement
applied.

Interest Determination Dates. The interest rate applicable to each interest reset period commencing on the related Interest Reset Date will be the rate determined as of the applicable Interest Determination Date and calculated on or prior to the calculation date, as defined below.

The Interest Determination Date with respect to the CD Rate and the Commercial Paper Rate will be the second Business Day preceding each Interest Reset Date for the related note.

The Interest Determination Date with respect to the CMT Rate will be the second U.S.

Government Securities Business Day preceding each Interest Reset Date for the related note.

Unless we otherwise specify in the applicable pricing supplement, U.S.

Government Securities Business Day means any day other than a Saturday, Sunday or a day on which The Securities Industry and Financial Markets Association recommends

that the

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fixed income
departments of
its members be
closed for the
entire day for
purposes of
trading in U.S.
government
securities.

The Interest
Determination
Date with
respect to the
Prime Rate
will be the first
Business Day
preceding each
Interest Reset
Date for the
related note.

The Interest
Determination
Date with
respect to
EURIBOR
will be the
second Target
Settlement
Day preceding
each Interest
Reset Date for
the related
note.

The Interest
Determination
Date with
respect to the
Eleventh
District Cost
of Funds Rate
will be the last
Business Day
of the month
immediately
preceding each
Interest Reset
Date on which
the Federal

Home Loan
Bank of San
Francisco
publishes the
Index, as
defined below
under Eleventh
District Cost
of Funds Rate .

The Interest
Determination
Date with
respect to the
Federal Funds
Rate will be
the applicable
Interest Reset
Date.

The Interest
Determination
Date with
respect to
LIBOR will be
the second
London
Banking Day
preceding each
Interest Reset
Date, unless
the Designated
LIBOR
Currency is the
British pounds
sterling, in
which case the
Interest
Determination
Date will be
the applicable
Interest Reset
Date.

The Interest
Determination
Date with
respect to the
Treasury Rate
will be the day
in the week in

which the
related Interest
Reset Date
falls on which
day Treasury
Bills, as
defined below
under Treasury
Rate, are
normally
auctioned (*i.e.*,
Treasury Bills
are normally
sold at auction
on Monday of
each week,
unless that
Monday is a
legal holiday,
in which case
the auction is
normally held
on the
immediately
following
Tuesday,
except that the
auction may be
held on the
preceding
Friday) or, if
no auction is
held for a
particular
week, the first
Business Day
of that week;
provided,
however, that
if an auction is
held on the
Friday of the
week
preceding the
related Interest
Reset Date, the
related Interest
Determination
Date will be
such preceding
Friday,

provided,
further, that if
the Interest
Determination
Date would
otherwise fall
on an Interest
Reset Date,
then such
Interest Reset
Date will be
postponed to
the next
succeeding
Business Day.

The Interest
Determination
Date
pertaining to a
floating rate
note the
interest rate of
which is
determined
with reference
to two or more
Interest Rate
Bases will be
the most recent
Business Day
which is at
least two
Business Days
before the
applicable
Interest Reset
Date for the
applicable
floating rate
note on which
each Interest
Reset Basis is
determinable.
Each Interest
Rate Basis will
be determined
as of the
Interest
Determination
Date, and the

applicable
interest rate
will take effect
on the related
Interest Reset
Date.

Calculation Date. Unless otherwise provided in the applicable pricing supplement, The Bank of New York Mellon will be the calculation agent. Upon the request of the holder of any floating rate note, the calculation agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to that floating rate note. Unless otherwise specified in the applicable pricing supplement, the calculation date, if applicable, pertaining to any Interest Determination Date will be the earlier of:

the tenth
calendar day
after the
applicable
Interest
Determination
Date, or, if the
tenth calendar
day is not a
Business Day,
the next
succeeding
Business Day
or

the Business
Day preceding
the applicable
Interest
Payment Date
or the Maturity
Date, as the
case may be.

The determination of any interest rate by the calculation agent will be final and binding absent manifest error.

CD Rate. CD Rate Notes will bear interest at the rates, calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any, specified in the applicable CD Rate Notes and in the applicable pricing supplement.

CD Rate means:

(1) the rate on the applicable Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) (as defined below) under the caption CDs (secondary market) , or

(2) if the rate referred to in clause (1) above is not so published by 3:00 P.M., New York City time, on the related calculation date, the rate on the applicable Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified in the applicable pricing supplement as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption CDs (secondary market) , or

(3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related calculation date, the rate on the applicable Interest Determination Date calculated by the calculation agent as the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on the applicable Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in The City of New York (which may include an agent or its affiliates) selected by the calculation agent for negotiable United States dollar certificates of deposit of major United States money market banks for negotiable United States dollar certificates of deposit with a remaining maturity closest to the Index Maturity specified in the applicable pricing supplement in an amount that is representative for a single transaction in that market at that time, or

(4) if the dealers selected by the calculation agent are not quoting as mentioned in clause (3) above, the CD Rate in effect on the applicable Interest Determination Date.

H.15(519) means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System and available on their website via <http://www.federalreserve.gov/releases/h15/> or any successor site or publication.

H.15 Daily Update means the daily update of H.15(519), published by the Board of Governors of the Federal Reserve System and available on their website at <http://www.federalreserve.gov/releases/h15/update/default.htm> or any successor site or publication.

CMT Rate. CMT Rate Notes will bear interest at the rates, calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any, specified in the applicable CMT Rate Notes and in the applicable pricing supplement.

CMT Rate means:

(1) if Reuters Page FRBCMT (as defined below) is specified in the applicable pricing supplement:

(a) the percentage equal to the yield for United States Treasury securities at constant maturity having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption Treasury constant maturities , as the yield is displayed on Reuters (Reuters) (or any successor service), on page FRBCMT or any other page as may replace that specified page on that service (Reuters Page FRBCMT) or, if not so displayed on Reuters, as displayed on the Bloomberg L.P. (Bloomberg) service (or any successor service) on page NDX7 (or any other page as may replace the specified page on that service) (Bloomberg Page NDX7), for the applicable Interest Determination Date, or

(b) if the rate referred to in clause (a) does not appear on the Reuters Page FRBCMT or Bloomberg Page NDX7, as the case may be, the percentage equal to the yield for United States Treasury securities at constant maturity having the Index Maturity specified in the applicable pricing supplement and for the applicable Interest Determination Date as published in H.15(519) under the caption Treasury constant maturities , or

(c) if the rate referred to in clause (b) does not appear in H.15(519), the rate on the applicable Interest Determination Date for the period of the Index Maturity specified in the

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applicable pricing supplement as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate which would otherwise have been published in H.15(519), or

(d) if the rate referred to in clause (c) is not published, the rate on the applicable Interest Determination Date calculated by the calculation agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approxim