



Dear Client:

Thank you for your interest in a Market Participation Certificate of Deposit (MPCD) offered by Merrill Lynch. A copy of the preliminary offering documents for the MPCD is attached. **You should read the offering documents before making a decision to invest in a particular MPCD.**

Merrill Lynch has prepared this special client notice to highlight certain considerations about an investment in an MPCD. As discussed in the preliminary offering documents, please note that:

- MPCDs are certificates of deposit of an issuing bank that are different from conventional certificates of deposit. The return and value of MPCDs are based on the performance of one or more underlying market measures. These market measures may include equities or equity indices, commodities or commodity indices, currencies and interest rates. Unlike conventional certificates of deposit, unless otherwise noted, MPCDs generally do not pay a coupon.
- Payments on an MPCD are subject to issuer credit risk and Federal Deposit Insurance Corporation (FDIC) insurance limitations, as well as the specific market risks associated with the linked market measure.
- MPCDs can have lower returns than conventional certificates of deposit, and your return may be limited to the principal amount.
- The public offering price for an MPCD will exceed its estimated initial value at the time of issuance. The public offering price includes compensation to Merrill Lynch for distributing the MPCD and may include an estimated profit credited to Merrill Lynch from related hedging arrangements associated with the MPCDs. These fees and charges reduce the economic terms of the MPCD to you.
- The price at which you may be able to sell your MPCD prior to maturity in the secondary market may be lower than the price you paid for it, due to a number of factors, including changes in the linked market measure's performance, the creditworthiness of the issuer and the initial costs of developing, hedging and distributing the MPCDs.
- The scope and extent of FDIC insurance coverage may change, and the FDIC has the right to terminate deposit insurance under certain circumstances.
- The U.S. federal tax treatment for MPCDs will depend upon a variety of factors, including the structure of the specific investment, and can be uncertain.

The attached preliminary offering documents discuss the risks associated with investing in a particular MPCD. You should review the documents carefully and consult your investment, legal, tax and accounting advisors before making a decision to purchase the MPCD. If after reading this special client notice and the preliminary offering documents, you are no longer interested in purchasing the MPCD, please contact your Merrill Lynch Financial Advisor.

Merrill Lynch makes available products and services offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and other subsidiaries of Bank of America Corporation ("BAC").

Investment products:

Insured Only Up to FDIC Limitations	May Lose Value
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MLPF&S is a registered broker-dealer, a registered investment adviser and member SIPC.

Units
\$10 principal amount per unit
CUSIP No.

Pricing Date* April , 2016
Settlement Date* May , 2016
Maturity Date* April , 2023

*Subject to change based on the actual date the MPCDs are priced for initial sale to the public (the "pricing date")



Market Participation Certificates of Deposit[®] Linked to the Dow Jones Industrial AverageSM

- Maturity of approximately seven years
- 100% participation in increases in the Index, subject to a capped return of [35% to 45%]
- If the Index decreases, payment at maturity will be the principal amount
- All payments occur at maturity and are subject to the credit risk of HSBC Bank USA, National Association ("HSBC"), and FDIC insurance limitations
- No periodic interest payments
- In addition to the underwriting discount set forth below, the MPCDs include a hedging-related charge of \$0.075 per unit. See "Supplement to the Plan of Distribution"
- You may be required to accrue interest and pay taxes on the MPCDs each year even if you will not receive any payments until maturity. See "Summary Tax Consequences"
- Limited secondary market liquidity, with no exchange listing

Market Downside
Protection

The Market Participation Certificates of Deposit ("MPCDs") are being issued by HSBC Bank USA, National Association ("HSBC"). There are important differences between the MPCDs and traditional certificates of deposit, including different risks and additional costs. See "Risk Factors" beginning on page TS-6 of this term sheet and beginning on page PS-6 of product supplement EQUITY INDICES MPCD-1.

The estimated initial value of the MPCDs as of the pricing date is expected to be between \$9.00 and \$9.70 per unit, which will be less than the public offering price listed below. The actual value of your MPCDs at any time will reflect many factors and cannot be predicted with accuracy. See "Summary" on page TS-2 and "Risk Factors" beginning on page TS-6 of this term sheet for additional information.

The MPCDs are not securities, are not registered under the Securities Act of 1933, as amended, or any state securities law, and are not required to be so registered. The MPCDs 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 term sheet. Any representation to the contrary is a criminal offense.

	<u>Per Unit</u>	<u>Total</u>
Public offering price.....	\$ 10.00	\$
Placement fee.....	\$ 0.25	\$
Proceeds, before expenses, to HSBC...	\$ 9.75	\$

The MPCDs:

Insured Only Up to FDIC Limitations	May Lose Value
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Summary

The Market Participation Certificates of Deposit[®] Linked to the Dow Jones Industrial AverageSM, due April, 2023 (the "MPCDs") are certificates of deposit issued by HSBC. **Any payments due on the MPCDs, including the repayment of principal, will be subject to the credit risk of HSBC and FDIC insurance limitations.** The MPCDs are insured by the Federal Deposit Insurance Corporation (the "FDIC") only within the limits and to the extent described in "Deposit Insurance" beginning on page PS-29 of product supplement EQUITY INDICES MPCD-1 and "FDIC Insurance" on page 27 of the Base Disclosure Statement. The FDIC has taken the position that FDIC insurance does not cover any portion of the Redemption Amount in excess of the principal amount.

The MPCDs provide you with 100% participation in increases in the Market Measure, which is the Dow Jones Industrial AverageSM (the "Index"), subject to a cap. If the Index decreases, you will only receive the principal amount of your MPCDs. The MPCDs are not traditional certificates of deposit. Depositors will not receive interest payments on the MPCDs and may not earn a return on the MPCDs. Payments on the MPCDs, including the amount you receive at maturity, will be calculated based on the \$10 principal amount per unit and will depend on our credit risk, FDIC insurance limitations and the performance of the Index. See "Terms of the MPCDs" below.

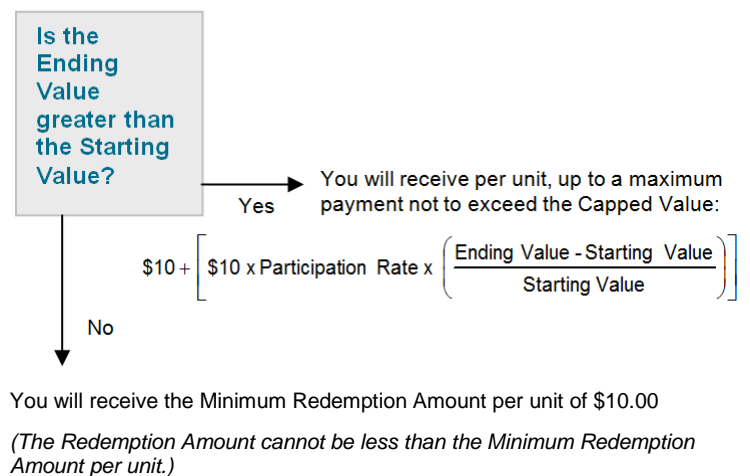
The estimated initial value of the MPCDs will be less than the price you pay to purchase the MPCDs. The estimated initial value is determined by reference to our or our affiliates' internal pricing models and reflects our internal funding rate, which is the borrowing rate we pay to issue the MPCDs, and the market prices for hedging arrangements related to the MPCDs (which may include call options, put options or other derivatives). This internal funding rate may differ from the rate we would use when we issue conventional certificates of deposit. The difference in the borrowing rate, as well as the placement fee and the costs associated with hedging the MPCDs, including the hedging related charge described below, will reduce the economic terms of the MPCDs (including the Capped Value). The estimated initial value will be calculated on the pricing date and will be set forth in the final term sheet made available to purchasers of the MPCDs.

Terms of the MPCDs

Issuer:	HSBC Bank USA, National Association ("HSBC")
Principal Amount:	\$10.00 per unit
Term:	Approximately seven years
Market Measure:	The Dow Jones Industrial Average SM (Bloomberg symbol: "INDU Index"), a price return index.
Starting Value:	The closing level of the Index on the pricing date
Ending Value:	The average of the closing levels of the Index on each scheduled calculation day occurring during the maturity valuation period. The calculation days are subject to postponement in the event of Market Disruption Events, as described beginning on page PS-20 of product supplement EQUITY INDICES MPCD-1.
Minimum Redemption Amount:	\$10.00 per unit. If you sell your MPCDs before the maturity date, you may receive less than the Minimum Redemption Amount per unit.
Participation Rate:	100%
Capped Value:	[\$13.50 to \$14.50] per unit, which represents a return of [35% to 45%] over the principal amount (or a maximum annualized percentage yield of between [4.39% to 5.47%]). The actual Capped Value will be determined on the pricing date.
Maturity Valuation Period:	Five scheduled calculation days shortly before the maturity date
Survivor's Option:	Holders of the MPCDs will be permitted to withdraw MPCDs prior to maturity under the "Survivor's Option" as described in the section entitled "Description of MPCDs — Survivor's Option," beginning on page PS-25 of product supplement EQUITY INDICES MPCD-1.
Fees Charged:	The placement fee of \$0.25 per unit listed on the cover page and an additional charge of \$0.075 per unit more fully described on page TS-10.
Calculation Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and HSBC, acting jointly.

Redemption Amount Determination

On the maturity date, you will receive a cash payment per unit determined as follows:



The terms and risks of the MPCDs are contained in this term sheet and in the following:

- Product supplement EQUITY INDICES MPCD-1 dated March 20, 2014
- Base Disclosure Statement dated March 1, 2011

Before you purchase the MPCDs, you should read these documents, including this term sheet (together, the "Disclosure Documents"), for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Disclosure Documents. You should carefully consider, among other things, the matters set forth under "Risk Factors" in the section indicated on the cover of this term sheet. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES MPCD-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "we," "us," "our," or similar references are to HSBC.

Purchaser Considerations

You may wish to consider purchasing the MPCDs if:

- You anticipate that the Index will increase moderately from the Starting Value to the Ending Value.
- You accept that, although you are entitled to receive the principal amount at maturity, the return on the MPCDs will be zero if the Index does not increase from the Starting Value to the Ending Value.
- You accept that the return on the MPCDs will be capped.
- You are willing to forgo the interest payments that are paid on traditional interest bearing bank deposits.
- You are willing to forgo dividends or other benefits of owning the stocks included in the Index.
- You are willing to accept that a secondary market is not expected to develop for the MPCDs, and understand that the market prices for the MPCDs, if any, may be less than the principal amount and will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and the fees charged, as described on page TS-2.
- You are willing to assume our credit risk, as issuer of the MPCDs, for payments under the MPCDs that are not covered by FDIC insurance.

The MPCDs may not be appropriate for you if:

- You believe that the Index will decrease from the Starting Value or that it will not increase sufficiently over the term of the MPCDs to provide you with your desired return.
- You seek a guaranteed return beyond the Minimum Redemption Amount.
- You seek an uncapped return.
- You seek interest payments or other current income.
- You want to receive dividends or other distributions paid on the stocks included in the Index.
- You seek an investment for which there will be a liquid secondary market.
- You are unwilling or are unable to take market risk on the MPCDs or to take our credit risk as issuer of the MPCDs.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you purchase the MPCDs.

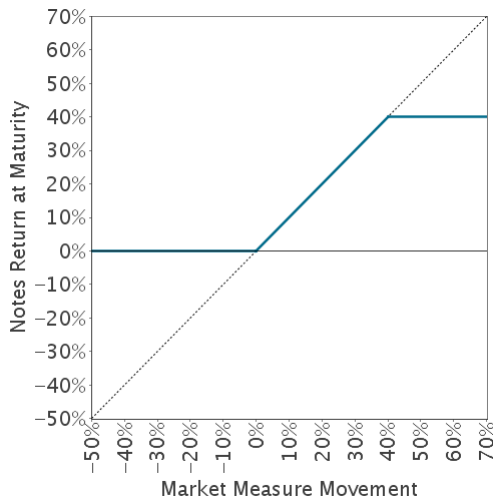
FDIC Insurance

FDIC insurance is available on the amount of MPCDs you purchase only within the limits and to the extent described in the accompanying product supplement and disclosure statement. You should not rely on the availability of FDIC insurance if you purchase a principal amount of MPCDs which, together with any other deposits that you maintain with us in the same ownership capacity, is in excess of the applicable FDIC insurance limits. The FDIC has taken the position that any portion of the Redemption Amount payable at maturity in excess of the principal amount of the MPCDs, and any secondary market premium paid by you in excess of the principal amount, is not covered by FDIC insurance. You are responsible for determining and monitoring the FDIC insurance coverage limits that are applicable to you in purchasing any MPCDs. Neither we nor MLPF&S undertakes to determine or monitor the FDIC insurance coverage that may be available to you. You should make your own decision regarding the MPCDs and FDIC insurance coverage after consulting with your legal, tax, and other advisors. For further information, see "Deposit Insurance" beginning on page PS-29 of product supplement EQUITY INDICES MPCD-1 and "FDIC Insurance" on page 27 of the Base Disclosure Statement.

Hypothetical Payout Profile and Examples of Payments at Maturity

The below graph is based on hypothetical numbers and values.

Market Participation Certificates of Deposit



This graph reflects the returns on the MPCDs, based on the Participation Rate of 100%, the Minimum Redemption Amount of \$10.00 per unit and a Capped Value of \$14.00, the midpoint of the Capped Value range of [\$13.50 to \$14.50]. The blue line reflects the returns on the MPCDs, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Index, excluding dividends.

This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on **hypothetical** values and show **hypothetical** returns on the MPCDs. They illustrate the calculation of the Redemption Amount, total rate of return and pretax annualized percentage yield based on a hypothetical Starting Value of 100, the Participation Rate of 100%, the Minimum Redemption Amount of \$10.00 per unit, a Capped Value of \$14.00 per unit and a range of hypothetical Ending Values. **The actual amount you receive and the resulting total rate of return and pretax annualized percentage yield will depend on the actual Starting Value, Ending Value, Capped Value, and whether you hold the MPCDs to maturity.** The following examples do not take into account any tax consequences from purchasing the MPCDs.

For recent actual levels of the Index, see “The Index” section below. The Index is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in the Index, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the MPCDs are subject to FDIC insurance limitations and issuer credit risk as to any payments that are not covered by FDIC insurance.

Ending Value	Percentage Change from the Starting Value to the Ending Value	Redemption Amount per Unit	Total Rate of Return on the MPCDs ⁽¹⁾	Pretax Annualized Percentage Yield on the MPCDs ⁽¹⁾
70.00	-30.00%	\$10.00	0.00%	0.00%
80.00	-20.00%	\$10.00	0.00%	0.00%
90.00	-10.00%	\$10.00	0.00%	0.00%
95.00	-5.00%	\$10.00	0.00%	0.00%
100.00 ⁽²⁾	0.00%	\$10.00 ⁽³⁾	0.00%	0.00%
105.00	5.00%	\$10.50	5.00%	0.70%
110.00	10.00%	\$11.00	10.00%	1.37%
120.00	20.00%	\$12.00	20.00%	2.65%
130.00	30.00%	\$13.00	30.00%	3.83%
135.00	35.00%	\$13.50	35.00%	4.39%
140.00	40.00%	\$14.00 ⁽⁴⁾	40.00%	4.94%
150.00	50.00%	\$14.00	40.00%	4.94%
160.00	60.00%	\$14.00	40.00%	4.94%
170.00	70.00%	\$14.00	40.00%	4.94%

- (1) The annualized percentage yields specified in this column are calculated on an annual basis (an actual 365 day count) and assume a term similar to that of the MPCDs. Your annualized percentage yield from the MPCDs will not be less than 0.00%, but will not be greater than a range of 4.39% to 5.47%.
- (2) The **hypothetical** Starting Value of 100 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for the Index.
- (3) The Redemption Amount per unit will not be less than the Minimum Redemption Amount.
- (4) The Redemption Amount per unit cannot exceed the **hypothetical** Capped Value.

Redemption Amount Calculation Examples

Example 1

The Ending Value is 90, or 90% of the Starting Value:

Starting Value: 100

Ending Value: 90

$\$10 - \left[\$10 \times \left(\frac{100-90}{100} \right) \right] = \9.00 Redemption Amount per unit, however, because the Redemption Amount for the MPCDs cannot be less than the Minimum Redemption Amount, the Redemption Amount will be \$10.00 per unit.

Annualized percentage yield =0.00%.

Example 2

The Ending Value is 120, or 120% of the Starting Value:

Starting Value: 100

Ending Value: 120

$\$10 + \left[\$10 \times 100\% \times \left(\frac{120-100}{100} \right) \right] = \12.00 Redemption Amount per unit

Annualized percentage yield =2.65%.

Example 3

The Ending Value is 160, or 160% of the Starting Value:

Starting Value: 100

Ending Value: 160

$\$10 + \left[\$10 \times 100\% \times \left(\frac{160-100}{100} \right) \right] = \16.00 Redemption Amount per unit, however, because the Redemption Amount for the MPCDs cannot exceed the Capped Value, the Redemption Amount will be \$14.00 per unit.

Annualized percentage yield = 4.94%.

Risk Factors

We urge you to read the section “Risk Factors” in the product supplement and in the Base Disclosure Statement. Purchasing the MPCDs is not equivalent to investing directly in the securities represented by the Index. You should understand the risks of purchasing the MPCDs and should reach a decision only after careful consideration, with your advisers, with respect to the MPCDs in light of your particular financial and other circumstances and the information set forth in this term sheet and the accompanying product supplement and Base Disclosure Statement.

- Depending on the performance of the Index as measured shortly before the maturity date, you may not receive a return on the MPCDs.
- Your return on the MPCDs may be less than the yield you could earn by owning a conventional bank deposit of comparable maturity.
- Payments on the MPCDs are subject to our credit risk and FDIC insurance limitations, and actual or perceived changes in our creditworthiness are expected to affect the value of the MPCDs.
- The FDIC may not insure all payments in respect of the MPCDs, and the FDIC's powers as receiver or conservator could adversely affect your return. To the extent that FDIC insurance is not available, any payment on the MPCDs not covered by FDIC insurance would be subject to our creditworthiness.
- The scope and extent of FDIC insurance coverage may change, and the FDIC has the right to terminate deposit insurance under certain circumstances.
- Your return is limited to the return represented by the Capped Value and may be less than a comparable investment directly in the stocks included in the Index.
- The estimated initial value of the MPCDs will be less than the public offering price and may differ from the market value of the MPCDs in the secondary market, if any. We will determine the estimated initial value by reference to our or our affiliates' internal pricing models. These pricing models consider certain assumptions and variables, which can include volatility and interest rates. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. Different pricing models and assumptions could provide valuations for the MPCDs that are different from our estimated initial value. The estimated initial value will reflect our internal funding rate we use to issue market-linked certificates of deposit, as well as the mid-market value of the hedging arrangements related to the MPCDs (which may include call options, put options or other derivatives).
- Our internal funding rate for the issuance of the MPCDs may differ from the rate we would use when we issue conventional certificates of deposit. This is one of the factors that may result in the market value of the MPCDs in the secondary market (if any exists), being less than their estimated initial value. If on the pricing date we were to use the rate used to issue our conventional certificates of deposit and to the extent such rate is higher than our internal funding rate, we would expect the estimated initial value of the MPCDs to be lower than if it were based on the internal funding rate. In addition, assuming all other factors the same, if we were to use the rate we used to issue our conventional certificates of deposit and to the extent it is higher than our internal funding rate on the pricing date, we would expect the economic terms of the MPCDs to be more favorable to you.
- The price of your MPCDs in the secondary market, if any, immediately after the pricing date will be less than the public offering price. The public offering price takes into account certain costs, principally the placement fee, the expected hedging costs described on page TS-10 and the costs associated with issuing the MPCDs. The costs associated with issuing the MPCDs will be used or retained by MLPF&S or one of our affiliates. If you were to sell your MPCDs in the secondary market, if any, the price you would receive for your MPCDs may be less than the price you paid for them.
- The estimated initial value does not represent a minimum or maximum price at which we, MLPF&S or any of our respective affiliates would be willing to purchase your MPCDs in the secondary market (if any exists) at any time. The price of your MPCDs in the secondary market, if any, at any time after issuance will vary based on many factors, including the value of the Market Measure and changes in market conditions, and cannot be predicted with accuracy. The MPCDs are not designed to be short-term trading instruments, and you should, therefore, be able and willing to hold the MPCDs to maturity. Any sale of the MPCDs prior to maturity could result in a loss to you.
- A trading market is not expected to develop for the MPCDs. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the MPCDs. There is no assurance that any party will be willing to purchase your MPCDs at any price in any secondary market.
- The MPCDs are designed to be held to maturity, and you may not be able to sell or withdraw the amount deposited prior to maturity.
- Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Index), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients' accounts, may affect the market value and return of the MPCDs and may create conflicts of interest with you.
- The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

Market Participation Certificates of Deposit[®]

Linked to the Dow Jones Industrial AverageSM, due April , 2023

Market Downside
Protection

- You will have no rights of a holder of the securities represented by the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.
- While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Index, we, MLPF&S and our respective affiliates do not control any company included in the Index, and are not responsible for any disclosure made by any other company.
- There may be potential conflicts of interest involving the calculation agents, one of which is us and one of which is MLPF&S. We have the right to appoint and remove the calculation agents.
- You should consider the tax consequences of purchasing the MPCDs. See “Summary Tax Consequences” below and “Certain U.S. Federal Income Tax Considerations” beginning on page PS-37 of product supplement EQUITY INDICES MPCD-1.

The Index

We have derived all information relating to the Dow Jones Industrial AverageTM (the "Index"), including, without limitation, its make-up, performance, method of calculation and changes in its components, from publicly available sources. That information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC ("Dow Jones"), a subsidiary of McGraw Hill Financial. Dow Jones is under no obligation to continue to publish, and may discontinue or suspend the publication of the Index at any time.

Dow Jones Publishes the Index

The Index is a price-weighted index of 30 U.S. blue-chip stocks that represent nine economic sectors including financials, technology, consumer goods, industrials, telecommunications, consumer services, oil & gas, basic materials and health care. The index universe consists of securities in the S&P 500 Index, excluding stocks classified under Global Industry Classification Standard (GICS) code 2030 (Transportation) and 55 (Utilities).

According to Dow Jones, the composition of the Index is determined by the Averages Committee, which is comprised of three representatives of S&P Dow Jones Indices and two representatives of *The Wall Street Journal*. The committee meets at least semi-annually. At each meeting, the committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

There are no pre-determined criteria except that components should be established U.S. companies that are leaders in their respective industries. In selecting a company's stock to be included in the Index, the Averages Committee looks for a leading industrial company with a successful history of growth and a wide interest among investors. Maintaining adequate sector representation within the Index is also a consideration in the selection process. Companies should be incorporated and headquartered in the United States and a plurality of revenues should be derived from the United States.

The inclusion of any particular company in the Index does not constitute a prediction as to the company's future results of operations or stock market performance. Unlike most other indices, which are reconstituted according to a fixed review schedule, constituents of the Index are reviewed on an as-needed basis. There is no annual or semi-annual reconstitution. Constituent changes are announced one to five days before they are scheduled to be implemented. For the sake of continuity, changes to the composition of the Index are rare, and generally occur only after corporate acquisitions or other dramatic shifts in a constituent's core business. Any potential impacts on index constituents are evaluated by the Averages Committee on a case-by-case basis.

The Index does not reflect the payment of dividends on the stocks included in the Index.

Computation of the Index

The Index is a price-weighted index rather than market capitalization-weighted index. In essence, the Index consists of one share of each of the 30 stocks included in the Index. Thus, the weightings of the components of the Index are affected only by changes in their prices, while the weightings of stocks in other indices are affected by price changes and changes in shares outstanding.

When the Index was first created, the divisor was calculated by adding up the prices of the 30 constituent stocks and dividing the total by the number of constituents. Today, the divisor is adjusted to ensure the continuity of the Index, and is designed to help keep the Index consistent through events such as spin-offs, stock splits, stock dividends and other corporate actions, as well as additions to and deletions from the Index. Accordingly, the divisor is no longer equal to the number of components in the Index.

The formula for calculating a divisor change is as follows:

$$D_{t+1} = D_t * \Sigma C_t^a / \Sigma C_t$$

Where:

D_{t+1} is the divisor to be effective on trading session t+1

D_t is the divisor on trading session t

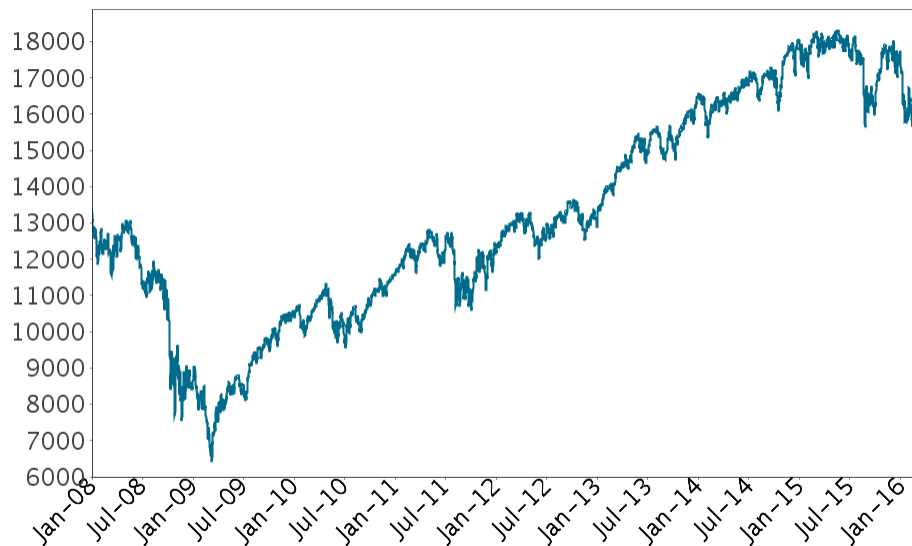
C_t^a is the components' adjusted closing prices for stock dividends, splits, spin-offs and other applicable corporate actions on trading session t

C_t is the components' closing prices on trading session t

While Dow Jones currently employs the above methodology to calculate the Index, no assurance can be given that Dow Jones will not modify or change this methodology in a manner that may affect the performance of the Index.

The following graph shows the daily historical performance of the Index in the period from January 1, 2008 through March 21, 2016. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On March 21, 2016, the closing level of the Index was 17,623.87.

Historical Performance of the Index



This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the MPCDs may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the MPCDs.

Before purchasing the MPCDs, you should consult publicly available sources for the levels of the Index.

License Agreement

HSBC or one of its affiliates has entered into a nonexclusive license agreement providing for the license to HSBC or to one of its affiliates, in exchange for a fee, of the right to use indices owned and published by Dow Jones in connection with certain securities, including the MPCDs. The license agreement requires this term sheet to state as follows:

The MPCDs are not sponsored, endorsed, sold or promoted by Dow Jones. Dow Jones makes no representation or warranty, express or implied, to the holders of the MPCDs or any member of the public regarding the advisability of investing in securities generally or in the MPCDs particularly or the ability of the Dow Jones Industrial AverageTM to track general stock market performance. Dow Jones's only relationship to HSBC (other than transactions entered into in the ordinary course of business) is the licensing of certain service marks and trade names of Dow Jones and of the Dow Jones Industrial AverageTM which is determined, composed and calculated by Dow Jones without regard to HSBC or the MPCDs. Dow Jones has no obligation to take the needs of HSBC or the holders of the MPCDs into consideration in determining, composing or calculating the Dow Jones Industrial AverageTM. Dow Jones is not responsible for and has not participated in the determination of the timing of the sale of the MPCDs, prices at which the MPCDs are to initially be sold, or quantities of the MPCDs to be issued or in the determination or calculation of the equation by which the MPCDs are to be converted into cash. Dow Jones has no obligation or liability in connection with the administration, marketing or trading of the MPCDs.

Supplement to the Plan of Distribution

MLPF&S is acting as our broker for sales of the MPCDs. Under our brokerage agreement with MLPF&S, MLPF&S will receive the placement fee indicated on the cover of this term sheet.

We may deliver the MPCDs against payment therefor in New York, New York on a date that is greater than three business days following the pricing date.

The MPCDs are not securities and will not be listed on any securities exchange. In the original offering of the MPCDs, the MPCDs will be sold in minimum purchase amounts of 100 units. If you place an order to purchase the MPCDs, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the MPCDs, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the MPCDs, any purchase price paid by MLPF&S in the secondary market may be, in certain circumstances, closer to the amount that you paid for the MPCDs than to the estimated initial value. However, neither we nor any of our affiliates is obligated to purchase your MPCDs at any price, or at a price that exceeds the estimated initial value.

The value of the MPCDs shown on your account statement provided by MLPF&S will be based on its estimate of the value of the MPCDs if MLPF&S or one of its affiliates were to make a market in the MPCDs, which it is not obligated to do. This estimate will be based upon the price that MLPF&S may pay for the MPCDs in light of then-prevailing market conditions and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the estimated initial value of the MPCDs.

Role of MLPF&S

MLPF&S will participate as selling agent in the distribution of the MPCDs. Under our distribution agreement with MLPF&S, MLPF&S will purchase the MPCDs from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated placement fee.

At maturity, we are required to pay the Redemption Amount to holders of the MPCDs, which will be calculated based on the performance of the Index and the \$10 per unit principal amount. In order to meet these payment obligations, at the time we issue the MPCDs, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by MLPF&S seeking bids from market participants, which could include one of our affiliates and MLPF&S and its affiliates. These hedging arrangements take into account a number of factors, including the issuer's creditworthiness, interest rate movements, the volatility of the Index, the tenor of the MPCDs and the tenor of the hedging arrangements. The economic terms of the MPCDs depend in part on the terms of the hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see "Risk Factors—General Risks Relating to MPCDs" beginning on page PS-6 of product supplement EQUITY INDICES MPCD-1.

Summary Tax Consequences

You should consider the U.S. federal income tax consequences of purchasing the MPCDs, including the following:

- There is no statutory, judicial, or administrative authority directly addressing the characterization of the MPCDs.
- We intend to treat MPCDs as “contingent payment debt instruments” for U.S. federal income tax purposes and accruals of income, gain, loss and deduction with respect to MPCDs will be determined under the “noncontingent bond method.” No assurance can be given that the IRS or any court will agree with this characterization and tax treatment.
- Under the noncontingent bond method, U.S. Holders of MPCDs will accrue original issue discount (“OID”) over the term of MPCDs based on the MPCDs’ comparable yield.
- The following table is based upon a hypothetical projected payment schedule (including a hypothetical Redemption Amount) and a hypothetical comparable yield equal to 1.45% per annum (compounded annually). The hypothetical comparable yield is our current estimate of the comparable yield based upon market conditions as of the date of this term sheet. It has been determined by us for purposes of illustrating the application of the Code and the Treasury regulations to the MPCDs as if the MPCDs had been issued on May 5, 2016 and were scheduled to mature on April 28, 2023. This tax accrual table is based upon a hypothetical projected payment schedule per \$10.0000 principal amount of the MPCDs, which would consist of a single payment of \$11.0577 at maturity. The following table is for illustrative purposes only, and we make no representations or predictions as to what the actual Redemption Amount will be. The actual “projected payment schedule” will be completed on the pricing date, and included in the final term sheet.

Accrual Period	Interest Deemed to Accrue on the MPCDs During Accrual Period per Unit	Total Interest Deemed to Have Accrued on the MPCDs as of End of Accrual Period per Unit
May 5, 2016 to December 31, 2016.....	\$0.0953	\$0.0953
January 1, 2017 to December 31, 2017....	\$0.1464	\$0.2417
January 1, 2018 to December 31, 2018....	\$0.1485	\$0.3902
January 1, 2019 to December 31, 2019....	\$0.1507	\$0.5409
January 1, 2020 to December 31, 2020....	\$0.1528	\$0.6937
January 1, 2021 to December 31, 2021....	\$0.1551	\$0.8488
January 1, 2022 to December 31, 2022 ...	\$0.1573	\$1.0061
January 1, 2023 to April 28, 2023.....	\$0.0516	\$1.0577

Hypothetical Projected Redemption Amount = \$11.0577 per unit of the MPCDs.

- A U.S. Holder of MPCDs will recognize gain or loss on the taxable sale, exchange, or other disposition of MPCDs, to the extent that the amount realized is more or less than its adjusted purchase price. In general, any gain realized by a U.S. Holder on the taxable sale, exchange, or other disposition of MPCDs will be treated as ordinary interest income. Any loss recognized on the taxable sale, exchange, or other disposition of MPCDs will generally be treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the MPCD, which would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.
- The IRS has announced that withholding under the Foreign Account Tax Compliance Act (as discussed in the prospectus supplement) on payments of gross proceeds from a sale or redemption of the notes will only apply to payments made after December 31, 2018.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the MPCDs, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws. You should review carefully the discussion under the section entitled “Certain U.S. Federal Income Tax Considerations” beginning on page PS-37 of product supplement EQUITY INDICES MPCD-1.

Market-Linked Investments Classification

Market Downside Protection

MLPF&S classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Market Downside Protection Market-Linked Investment or guarantee any performance.

Market Downside Protection Market-Linked Investments combine some of the capital preservation features of traditional bonds or bank deposits with the growth potential of equities and other asset classes. They offer full or partial market downside protection at maturity, while offering market exposure that may provide better returns than comparable fixed income securities or bank deposits. It is important to note that the market downside protection feature provides investors with protection only at maturity, subject to issuer credit risk and FDIC insurance limitations. In addition, in exchange for full or partial protection, you forfeit dividends and full exposure to the linked asset's upside. In some circumstances, this could result in a lower return than with a direct investment in the asset.



Market Participation Certificates of Deposit (“MPCDs”) Linked to One or More Equity Indices

- The MPCDs are certificates of deposit issued by HSBC Bank USA, National Association. Unless otherwise indicated or unless the context requires otherwise, all references in this product supplement to “HSBC,” the “Bank,” “we,” “us,” “our,” or similar references are to HSBC Bank USA, National Association.
- MPCDs will pay at least their principal amount at maturity, subject to our creditworthiness and FDIC insurance limitations. However, if you sell your MPCDs before maturity, you may incur a loss.
- We will not pay interest on MPCDs. Instead, the return on the MPCDs will be based on the performance of an underlying “**Market Measure**,” which will be an equity index or a basket of equity indices.
- If the value of the Market Measure increases from its Starting Value to its Ending Value (each as defined below), you will receive at maturity a cash payment per unit (the “**Redemption Amount**”) that equals the principal amount plus a multiple (the “**Participation Rate**”) of that increase. The Participation Rate will typically be greater than or equal to 100%. The Redemption Amount may also be subject to a specified cap (the “**Capped Value**”).
- If the value of the Market Measure does not change or decreases from its Starting Value, you will receive a Redemption Amount that is no less than the minimum redemption amount per unit (the “**Minimum Redemption Amount**”). The Minimum Redemption Amount may be greater than or equal to the principal amount. However, the Minimum Redemption Amount will not be less than the principal amount.
- This product supplement describes the general terms of MPCDs, the risk factors to consider before purchasing MPCDs, the general manner in which they may be offered and sold, and other relevant information.
- For each offering of MPCDs, we will provide you with a disclosure statement supplement (which we refer to as a “**term sheet**”) that will describe the specific terms of that offering, including the specific Market Measure, the Participation Rate, the Minimum Redemption Amount, any applicable Capped Value, and certain risk factors. The term sheet will identify, if applicable, any additions or changes to the terms specified in this product supplement.
- Unless otherwise set forth in the applicable term sheet, the MPCDs will offer a “**Survivor’s Option**.” In the event of the death of a beneficial owner of the MPCDs, subject to certain limitations, the Survivor’s Option may be elected, and the MPCDs will be redeemed. The amount payable by us upon the election of a Survivor’s Option will equal the principal amount of the withdrawn MPCDs, as set forth in the applicable term sheet. We will not pay any Redemption Amount if the Survivor’s Option is elected.
- The MPCDs will be issued in denominations of whole units. Unless otherwise set forth in the applicable term sheet, each unit will have a principal amount of \$10. The term sheet may also set forth a minimum number of units that you must purchase.
- The MPCDs will not be listed on any securities exchange.
- Unless otherwise specified in the applicable term sheet, the MPCDs will be distributed through Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”) and one or more of its affiliates (the “**Dealers**”).

The MPCDs will be our obligations only, and not obligations of your Dealer, or any other affiliate of ours. The MPCDs are our time deposit obligations, and are insured by the FDIC within the limits and to the extent described in the Base Disclosure Statement under the caption “FDIC Insurance.” The FDIC does not insure any portion of the Redemption Amount in excess of the principal amount of the MPCDs. Potential purchasers of the MPCDs should consider the information set forth in the section entitled “Risk Factors” beginning on page PS-6 of this product supplement and page 12 of the Base Disclosure Statement.

In making a decision to purchase the MPCDs, you must rely on your own examination of us and the terms of the MPCDs, including the merits and risks involved. The MPCDs are not securities, and are not registered under the Securities Act of 1933, as amended, or any state securities law, and are not required to be so registered. The MPCDs 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 product supplement. Any representation to the contrary is a criminal offense. The information contained herein may not be modified by any oral representation made prior or subsequent to the purchase of the MPCDs.

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Nothing herein should be considered to impose on the recipient of this product supplement any limitation on disclosure of the tax treatment or tax structure of the transactions or matters described herein.

SUMMARY

The information in this “Summary” section is qualified in its entirety by the more detailed explanation set forth elsewhere in this product supplement and the Base Disclosure Statement, as well as the applicable term sheet. Neither we nor MLPF&S have authorized any other person to provide you with any information different from the information set forth in these documents. If anyone provides you with different or inconsistent information about the MPCDs, you should not rely on it.

Key Terms:

General: The MPCDs are certificates of deposit issued by HSBC Bank USA, National Association and are insured by the FDIC within the limits and to the extent described in the Base Disclosure Statement under the caption “FDIC Insurance.” The FDIC does not insure any portion of the Redemption Amount in excess of the principal amount of the MPCDs.

The return on MPCDs will be based on the performance of a Market Measure. Depending upon the terms of your MPCDs, if the value of the applicable Market Measure decreases, you will receive at least the Minimum Redemption Amount specified in the applicable term sheet, which will not be less than the principal amount.

Each issue of MPCDs will mature on the date set forth in the applicable term sheet. We cannot redeem MPCDs at any earlier date except in the limited circumstances described below, and we will not make any payments on MPCDs until maturity. You will not receive interest payments on the MPCDs.

Market Measure:

The Market Measure may consist of one or more of the following:

- U.S. broad-based equity indices;
- U.S. sector or style-based equity indices;
- non-U.S. or global equity indices; or
- any combination of the above.

The Market Measure may consist of a group, or “**Basket**,” of the foregoing. We refer to each equity index included in any Basket as a “**Basket Component**.” If the Market Measure to which your MPCDs are linked is a Basket, the Basket Components will be set forth in the applicable term sheet.

Market Measure Performance:

The performance of the Market Measure will be measured according to the percentage change of the Market Measure from its Starting Value to its Ending Value.

Unless otherwise specified in the applicable term sheet:

The “**Starting Value**” will equal the closing level of the Market Measure on the date when MPCDs are priced for initial sale to the public (the “**pricing date**”).

If the Market Measure consists of a Basket, the Starting Value will be equal to 100. See “Description of MPCDs—Basket Market Measures.”

The “**Ending Value**” will equal the average of the closing levels of the Market Measure on each calculation day during the Maturity Valuation Period (each as defined below).

If a Market Disruption Event (as defined below) occurs and is continuing on a calculation day, or if certain other events occur, the calculation agent will determine the Ending Value as set forth in the section “Description of MPCDs—The Starting

Value and the Ending Value—Ending Value.”

If the Market Measure consists of a Basket, the Ending Value will be determined as described in “Description of MPCDs—Basket Market Measures—Ending Value of the Basket.”

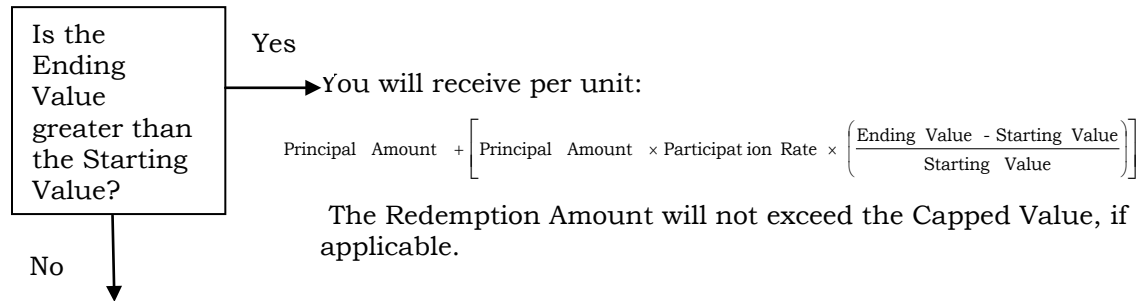
Participation Rate: The rate at which depositors participate in the increase in the value of the Market Measure, as calculated below. The Participation Rate will typically be greater than or equal to 100%, and will be set forth in the term sheet.

Capped Value: The maximum Redemption Amount, if one is applicable to your MPCDs. If a Capped Value is applicable to your MPCDs, your return, if any, is limited to the amount represented by the Capped Value. We will determine the applicable Capped Value on the pricing date.

Redemption Amount at Maturity: At maturity, you will receive a Redemption Amount that is greater than the principal amount if the value of the Market Measure increases from the Starting Value to the Ending Value. However, in no event will the Redemption Amount exceed the Capped Value, if applicable. If the value of the Market Measure does not change or decreases from the Starting Value to the Ending Value, you will receive the Minimum Redemption Amount.

Any payments due on the MPCDs, including repayment of principal, are subject to our credit risk as issuer of the MPCDs and to FDIC insurance limitations.

The Redemption Amount, denominated in U.S. dollars, will be calculated as follows:



You will receive per unit the Minimum Redemption Amount:

Minimum Redemption Amount: The Minimum Redemption Amount may be greater than or equal to the principal amount, as specified in the applicable term sheet. However, the Minimum Redemption Amount will not be less than the principal amount.

Principal at Risk: If you sell your MPCDs prior to maturity, the price you may receive may be less than the price that you paid for the MPCDs, and could be less than the Minimum Redemption Amount. Any payments due on the MPCDs, including repayment of principal, are subject to our credit risk as issuer of the MPCDs and to FDIC insurance limitations.

Survivor's Option: Unless otherwise set forth in the applicable term sheet, the MPCDs will offer a “Survivor's Option.” In the event of the death of a beneficial owner of the MPCDs, subject to certain limitations, the Survivor's Option may be elected, and the MPCDs will be redeemed. See the section entitled “Description of MPCDs—Survivor's Option.”

Calculation The calculation agent will make all determinations associated with the MPCDs. Unless otherwise set forth in the applicable term sheet, we or one or more of our

- Agent:** affiliates, acting independently or jointly with MLPF&S, will act as the calculation agent for the MPCDs. See the section entitled “Description of MPCDs—Role of the Calculation Agent.”
- Dealers:** MLPF&S and one or more of its affiliates will act as Dealers in connection with each offering of the MPCDs and will receive a placement fee based on the number of units of MPCDs sold. None of the Dealers is your fiduciary or advisor solely as a result of the making of any offering of MPCDs, and you should not rely upon this product supplement, the term sheet, or the Base Disclosure Statement as investment advice or a recommendation to purchase MPCDs.
- Listing:** MPCDs are not securities, and will not be listed on any securities exchange.
- U.S. Federal Income Tax Consequences:** MPCDs will be subject to federal income tax, even though no payments on the MPCDs will be made until the maturity date. You are urged to review the section entitled “Certain U.S. Federal Income Tax Considerations” and to consult your own tax advisor.

This product supplement relates only to MPCDs and does not relate to any equity index that comprises the Market Measure described in any term sheet. You should read carefully the entire Base Disclosure Statement and product supplement, together with the applicable term sheet, to understand fully the terms of your MPCDs, as well as the tax and other considerations important to you in making a decision about whether to purchase any MPCDs. In particular, you should review carefully the section in this product supplement entitled “Risk Factors,” which highlights a number of risks of the MPCDs, to determine whether MPCDs are appropriate for you. If information in this product supplement is inconsistent with the Base Disclosure Statement, this product supplement will supersede the Base Disclosure Statement. However, if information in any term sheet is inconsistent with this product supplement, that term sheet will supersede this product supplement.

Neither we nor any Dealer is making an offer to sell MPCDs in any jurisdiction where the offer or sale is not permitted.

Certain capitalized terms used and not defined in this product supplement have the meanings ascribed to them in the Base Disclosure Statement. Unless otherwise indicated or unless the context requires otherwise, all references in this product supplement to “we,” “us,” “our,” or similar references are to HSBC Bank USA, National Association.

You are urged to consult with your own attorneys and business and tax advisors before making a decision to purchase any MPCDs.

RISK FACTORS

The MPCDs are subject to risks, many of which differ from those of a conventional bank deposit. Your decision to purchase MPCDs should be made only after carefully considering the risks, including those discussed below, in light of your particular circumstances. MPCDs are not appropriate for you if you are not knowledgeable about the material terms of MPCDs or investments in equity or equity-based securities in general.

General Risks Relating to MPCDs

You may not earn a return on your MPCDs. The payment you will receive on the maturity date on your MPCDs will depend on the direction of and percentage change in the value of the Market Measure to which your MPCDs are linked. If the Ending Value is less than the Starting Value, you will receive only the Minimum Redemption Amount at maturity. Depending upon the terms of your MPCDs, the Minimum Redemption Amount per unit may be equal to the principal amount and you may not earn any return on your MPCDs.

Your return on the MPCDs may be less than the yield on a conventional bank deposit of comparable maturity. There will be no periodic interest payments on MPCDs as there would be on a conventional fixed-rate or floating-rate debt bank deposit having the same maturity. Even if the Minimum Redemption Amount is greater than the principal amount, any return that you receive on MPCDs may be less than the return you would earn if you purchased a conventional bank deposit with the same maturity date. As a result, your return on MPCDs may not reflect the full opportunity cost to you when you consider factors, such as inflation, that affect the time value of money.

Your return, if any, will be limited to the return represented by the Capped Value, if applicable, and may be less than a comparable investment directly in the Market Measure. If specified in the applicable term sheet, the appreciation potential of MPCDs will be limited to the Capped Value. In such a case, you will not receive a Redemption Amount greater than the Capped Value, regardless of the appreciation of the Market Measure. In contrast, a direct investment in the Market Measure (or the securities included in the Market Measure) would allow you to receive the full benefit of any appreciation in the value of the Market Measure (or those underlying securities).

In addition, unless otherwise set forth in the applicable term sheet, the Ending Value will not reflect the value of dividends paid, or distributions made, on the securities included in the Market Measure or any other rights associated with those securities. Thus, any return on MPCDs will not reflect the return you would realize if you actually owned the securities underlying the Market Measure.

Additionally, the Market Measure may consist of one or more equity indices that include components traded in a non-U.S. currency. If the value of that currency strengthens against the U.S. dollar during the term of your MPCDs, you may not obtain the benefit of that increase, which you would have received if you had owned the securities included in the index or indices.

Payments on MPCDs are subject to our credit risk and FDIC insurance limitations, and actual or perceived changes in our creditworthiness are expected to affect the value of MPCDs. MPCDs are our certificates of deposit. As a result, except to the extent that the FDIC insurance described in the Base Disclosure Statement under the caption "FDIC Insurance" is available, your receipt of the Redemption Amount at maturity is dependent upon our ability to repay our obligations on the maturity date, regardless of whether the Market

Measure increases from the Starting Value to the Ending Value. No assurance can be given as to what our financial condition will be on the maturity date. If we become unable to meet our financial obligations as they become due, you may not receive the amounts payable under the terms of MPCDs.

In addition, our credit ratings are an assessment by ratings agencies of our ability to pay our obligations. Consequently, our perceived creditworthiness and actual or anticipated decreases in our credit ratings or increases in the spread between the yield on our securities and the yield on U.S. Treasury securities (the “**credit spread**”) prior to the maturity date may adversely affect the market value of MPCDs. However, because your return on MPCDs depends upon factors in addition to our ability to pay our obligations, such as the value of the Market Measure, an improvement in our credit ratings will not reduce the other risks related to MPCDs.

The estimated initial value of the MPCDs will be less than the public offering price and may differ from the market value of the MPCDs in the secondary market, if any. We will determine the estimated initial value of the MPCDs, which will be set forth in the applicable term sheet, by reference to our or our affiliates’ internal pricing models. These pricing models consider certain assumptions and variables, which can include volatility and interest rates. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. Different pricing models and assumptions could provide valuations for the MPCDs that are different from our estimated initial value. The estimated initial value will reflect our internal funding rate we use to issue market-linked certificates of deposit, as well as the mid-market value of the hedging arrangements related to the MPCDs (which may include call options, put options or other derivatives).

Our internal funding rate for the issuance of the MPCDs may differ from the rate we would use when we issue conventional certificates of deposit. This is one of the factors that may result in the market value of the MPCDs in the secondary market (if any exists), being less than their estimated initial value. If on the pricing date we were to use the rate used to issue our conventional certificates of deposit and to the extent such rate is higher than our internal funding rate, we would expect the estimated initial value of the MPCDs to be lower than if it were based on the internal funding rate. In addition, assuming all other factors the same, if we were to use the rate we used to issue our conventional certificates of deposit and to the extent it is higher than our internal funding rate on the pricing date, we would expect the economic terms of the MPCDs to be more favorable to you.

The price of your MPCDs in the secondary market, if any, immediately after the pricing date will be less than the public offering price. The public offering price takes into account certain costs, principally the placement fee, the expected hedging costs described in the applicable term sheet and the costs associated with issuing the MPCDs. The costs associated with issuing the MPCDs will be used or retained by MLPF&S or one of our affiliates. If you were to sell your MPCDs in the secondary market, if any, the price you would receive for your MPCDs may be less than the price you paid for them.

The estimated initial value does not represent a minimum or maximum price at which we, MLPF&S or any of our respective affiliates would be willing to purchase your MPCDs in the secondary market (if any exists) at any time. The price of your MPCDs in the secondary market, if any, at any time after issuance will vary based on many factors, including the value of the Market Measure and changes in market conditions, and cannot be predicted

with accuracy. The MPCDs are not designed to be short-term trading instruments, and you should, therefore, be able and willing to hold the MPCDs to maturity. Any sale of the MPCDs prior to maturity could result in a loss to you.

A trading market is not expected to develop for your MPCDs. The MPCDs are not securities, and will not be listed on any securities exchange. We do not expect a trading market to develop for the MPCDs. It is unlikely a secondary market will exist, and if it does it may not provide enough liquidity to allow you to trade or sell the MPCDs easily. Should you be able to sell in the secondary market, the price you receive may be more or less than the principal amount of the deposit.

We anticipate that one or more of the Dealers will act as a market-maker for the MPCDs, but none of them are required to do so. Any such Dealer may discontinue market-making activities relating to the MPCDs. Because we do not expect that other market-makers will participate significantly in any secondary market for the MPCDs, the price at which you may be able to sell your MPCDs is likely to depend on the price, if any, at which a Dealer is willing to purchase them. If at any time none of the Dealers or any of their affiliates acts as a market-maker, it is likely that there would be little or no secondary market for the MPCDs. You should not purchase the MPCDs based upon any expectation that we, the Dealers, or any of our respective affiliates will act as a market-maker or that a secondary market for the MPCDs will exist.

To the extent that a Dealer or any of its affiliates engages in any market-making activities, it may bid for or offer the MPCDs. Any price at which such a market-maker may bid for, offer, purchase, or sell any MPCDs may differ from the values determined by pricing models that it may use, whether as a result of dealer discounts, mark-ups, or other transaction costs. These bids, offers, or completed transactions may affect the prices, if any, at which the MPCDs might otherwise trade in the market. In addition, if at any time a Dealer were to cease acting as a market-maker, it is likely that there would be significantly less liquidity in the secondary market. In such a case, the price at which the MPCDs could be sold likely would be lower than if an active market existed. Also, the price you may pay for any such MPCD in the secondary market might include a mark-up. Similarly, the price at which an MPCD may be sold if a secondary market is available will reflect a mark-down retained by a Dealer.

The Redemption Amount will not reflect changes in the value of the Market Measure that occur other than during the Maturity Valuation Period. Changes in the value of the Market Measure during the term of MPCDs other than during the Maturity Valuation Period will not be reflected in the calculation of the Redemption Amount. To calculate the Redemption Amount, the calculation agent will compare only the Ending Value to the Starting Value. No other values of the Market Measure will be taken into account. As a result, even if the value of the Market Measure has increased at certain times during the term of the MPCDs, you may receive a Redemption Amount that is limited to the Minimum Redemption Amount if the Ending Value is less than the Starting Value.

If your MPCDs are linked to a Basket, changes in the levels of one or more of the Basket Components may be offset by changes in the levels of one or more of the other Basket Components. The Market Measure of your MPCDs may be a Basket. In such a case, changes in the levels of one or more of the Basket Components may not correlate with changes in the levels of one or more of the other Basket Components. The levels of one or more Basket Components may increase, while the levels of one or more of the other Basket Components

may decrease or not increase as much. Therefore, in calculating the value of the Market Measure at any time, increases in the level of one Basket Component may be moderated or wholly offset by decreases or lesser increases in the levels of one or more of the other Basket Components. If the weightings of the applicable Basket Components are not equal, adverse changes in the levels of the Basket Components which are more heavily weighted could have a greater impact upon your MPCDs.

The respective publishers of the applicable indices may adjust those indices in a way that affects their levels, and these publishers have no obligation to consider your interests. The publisher of each index to which your MPCDs are linked (each, an “**Index Publisher**”) can add, delete, or substitute the components included in that index or make other methodological changes that could change its level. A new security included in an index may perform significantly better or worse than the replaced security, and the performance will impact the level of the applicable index. Additionally, an Index Publisher may alter, discontinue, or suspend calculation or dissemination of an index. Any of these actions could adversely affect the value of your MPCDs. The Index Publishers will have no obligation to consider your interests in calculating or revising any index.

Exchange rate movements may impact the value of MPCDs. If any security included in a Market Measure is traded in a currency other than U.S. dollars and, for purposes of the applicable index, is converted into U.S. dollars, then the Redemption Amount may depend in part on the relevant exchange rates. If the value of the U.S. dollar increases against the currencies of that index, the level of the applicable index may be adversely affected and the Redemption Amount may be reduced. Exchange rate movements may be particularly impacted by existing and expected rates of inflation and interest rate levels, the balance of payments, and the extent of governmental surpluses or deficits in the countries relevant to the applicable index and the United States. All of these factors are in turn sensitive to the monetary, fiscal, and trade policies pursued by the governments of those countries and the United States and other countries important to international trade and finance.

The MPCDs are designed to be held to maturity, and you may not be able to sell or withdraw the amount deposited prior to maturity. The MPCDs are most suitable for depositors who intend to hold the MPCDs until the maturity date. Except by exercising the Survivor’s Option and in other limited circumstances, you may not be able to sell your MPCDs, or withdraw the amount of your deposit, prior to their maturity. The price at which you may be able to sell your MPCDs prior to maturity may be at a substantial discount from the principal amount of the MPCDs. Therefore, you should not rely on any ability to sell or withdraw your MPCDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to the maturity date, or having access to any sale proceeds prior to the maturity date.

For additional information, see “Description of the MPCDs—Survivor’s Option” in this product supplement.

If you attempt to sell MPCDs prior to maturity, their market value, if any, will be affected by various factors that interrelate in complex ways, and their market value may be less than the principal amount, and the Minimum Redemption Amount. The limited protection against the risk of losses provided by the Minimum Redemption Amount will only apply if you hold MPCDs to maturity. Except to the extent that the Survivor’s Option is applicable and in other limited circumstances, you have no right to have your MPCDs

redeemed prior to maturity. If you wish to liquidate the MPCDs prior to maturity, your only option would be to sell them. At that time, there may be an illiquid market for your MPCDs or no market at all. Even if you were able to sell your MPCDs, there are many factors outside of our control that may affect their market value, some of which, but not all, are stated below. The impact of any one factor may be offset or magnified by the effect of another factor. The following paragraphs describe a specific factor's expected impact on the market value of MPCDs, assuming all other conditions remain constant.

- **Value of the Market Measure.** We anticipate that the market value of MPCDs prior to maturity generally will depend, to a significant extent, on the applicable Market Measure. In general, it is expected that the market value of MPCDs will decrease as the value of the Market Measure decreases, and increase as the value of the Market Measure increases. However, as the value of the Market Measure increases or decreases, the market value of MPCDs is not expected to increase or decrease at the same rate. If you sell your MPCDs when the value of the Market Measure is less than, or not sufficiently above the applicable Starting Value, then you may receive less than the principal amount and the Minimum Redemption Amount of your MPCDs.

In addition, if a Capped Value is specified in the applicable term sheet, because the Redemption Amount will not exceed that Capped Value, we do not expect that the MPCDs will trade in any secondary market at a price that is greater than the Capped Value.

- **Volatility of the Market Measure.** Volatility is the term used to describe the size and frequency of market fluctuations. Increases or decreases in the volatility of the Market Measure may have an adverse impact on the market value of MPCDs. Even if the value of the Market Measure increases after the applicable pricing date, if you are able to sell your MPCDs before their maturity date, you may receive substantially less than the amount that would be payable at maturity based on that value because of the anticipation that the value of the Market Measure will continue to fluctuate until the Ending Value is determined.
- **Economic and Other Conditions Generally.** The general economic conditions of the capital markets in the United States, as well as geopolitical conditions and other financial, political, regulatory, and judicial events and related uncertainties that affect stock markets generally, may affect the value of the Market Measure and the market value of MPCDs. If the Market Measure includes one or more indices that have returns that are calculated based upon securities prices in one or more non-U.S. markets (a “**non-U.S. Market Measure**”), the value of your MPCDs may also be affected by similar events in the markets of the relevant foreign countries.
- **Interest Rates.** We expect that changes in interest rates will affect the market value of MPCDs. In general, if U.S. interest rates increase, we expect that the market value of MPCDs will decrease, and conversely, if U.S. interest rates decrease, we expect that the market value of MPCDs will increase. In general, we expect that the longer the amount of time that remains until maturity, the more significant the impact of these changes will be on the value of the MPCDs. In the case of non-U.S. Market Measures, the level of interest rates in the relevant foreign countries may also affect their economies and in turn the value of the non-U.S. Market Measure, and, thus, the market value of the MPCDs may be adversely affected.

- **Dividend Yields.** In general, if cumulative dividend yields on the securities included in the Market Measure increase, we anticipate that the market value of MPCDs will decrease; conversely, if those dividend yields decrease, we anticipate that the market value of your MPCDs will increase.
- **Exchange Rate Movements and Volatility.** If the Market Measure of your MPCDs includes any non-U.S. Market Measures, changes in, and the volatility of, the exchange rates between the U.S. dollar and the relevant non-U.S. currency or currencies could have a negative impact on the value of your MPCDs, and the Redemption Amount may depend in part on the relevant exchange rates. In addition, the correlation between the relevant exchange rate and any applicable non-U.S. Market Measure reflects the extent to which a percentage change in that exchange rate corresponds to a percentage change in the applicable non-U.S. Market Measure, and changes in these correlations may have a negative impact on the value of your MPCDs.
- **Our Financial Condition and Creditworthiness.** Our perceived creditworthiness, including any increases in our credit spreads and any actual or anticipated decreases in our credit ratings, may adversely affect the market value of the MPCDs. In general, we expect the longer the amount of time that remains until maturity, the more significant the impact will be on the value of the MPCDs. However, a decrease in our credit spreads or an improvement in our credit ratings will not necessarily increase the market value of MPCDs.
- **Time to Maturity.** There may be a disparity between the market value of the MPCDs prior to maturity and their value at maturity. This disparity is often called a time “value,” “premium,” or “discount,” and reflects expectations concerning the value of the Market Measure prior to the maturity date. As the time to maturity decreases, this disparity will likely decrease, such that the value of the MPCDs will approach the expected Redemption Amount to be paid at maturity.

Trading and hedging activities by us, the Dealers, and our respective affiliates may affect your return on the MPCDs and their market value. We, the Dealers, and our respective affiliates may buy or sell the securities included in the Market Measure, or futures or options contracts on the Market Measure or its component securities. We may execute such purchases or sales for our own or their own accounts, for business reasons, or in connection with hedging our obligations under MPCDs. These transactions could affect the value of these securities and, in turn, the value of a Market Measure in a manner that could be adverse to you. On or before the applicable pricing date, any purchases or sales by us, the Dealers, or our respective affiliates or others on our or their behalf may increase the value of a Market Measure or its component securities. Consequently, the values of that Market Measure or the securities included in that Market Measure may decrease subsequent to the pricing date of an issue of MPCDs, adversely affecting the market value of MPCDs.

We, the Dealers, or one or more of our respective affiliates may also engage in hedging activities that could increase the value of the Market Measure on the applicable pricing date. In addition, these activities may decrease the market value of your MPCDs prior to maturity, including during the Maturity Valuation Period, and may affect the Redemption Amount. We, the Dealers, or one or more of our respective affiliates may purchase or otherwise acquire a long or short position in MPCDs, and may hold or resell MPCDs. For example, MLPF&S may enter into these transactions in connection with any market-making activities in which they

engage. We cannot assure you that these activities will not adversely affect the value of the Market Measure or the market value of your MPCDs prior to maturity or the Redemption Amount.

Our trading, hedging and other business activities, and those of the Dealers, may create conflicts of interest with you. We, the Dealers, or one or more of our respective affiliates may engage in trading activities related to the Market Measure and to securities included in the Market Measure that are not for your account or on your behalf. We, the Dealers, or one or more of our respective affiliates also may issue or underwrite other financial instruments with returns based upon the applicable Market Measure. These trading and other business activities may present a conflict of interest between your interest in MPCDs and the interests we, the Dealers, and our respective affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our or their other customers, and in accounts under our or their management. These trading and other business activities, if they influence the value of the Market Measure or secondary trading in your MPCDs, could be adverse to your interests as a beneficial owner of MPCDs.

We, the Dealers, and our respective affiliates expect to enter into arrangements or adjust or close out existing transactions to hedge our obligations under the MPCDs. We, the Dealers, or our respective affiliates also may enter into hedging transactions relating to other notes or instruments that we issue, some of which may have returns calculated in a manner related to that of a particular issue of MPCDs. We may enter into such hedging arrangements with one of our subsidiaries or affiliates, or with one or more of the Dealers or their affiliates. Such a party may enter into additional hedging transactions with other parties relating to MPCDs and the applicable Market Measure. This hedging activity is expected to result in a profit to those engaging in the hedging activity, which could be more or less than initially expected, or the hedging activity could also result in a loss. We, the Dealers, or our respective affiliates will price these hedging transactions with the intent to realize a profit, regardless of whether the value of MPCDs increases or decreases.

There may be potential conflicts of interest involving the calculation agent. We may appoint and remove the calculation agent. We or one of our affiliates may be the calculation agent or act as joint calculation agent for MPCDs and, as such, will determine the Starting Value, the Ending Value, and the Redemption Amount. Under some circumstances, these duties could result in a conflict of interest between our status as Issuer and our responsibilities as calculation agent. These conflicts could occur, for instance, in connection with the calculation agent's determination as to whether a Market Disruption Event has occurred, or in connection with judgments that it would be required to make if the publication of an index is discontinued. See the sections entitled "Description of MPCDs—Market Disruption Events," "—Adjustments to an Index," and "—Discontinuance of an Index." The calculation agent will be required to carry out its duties in good faith and use its reasonable judgment. However, because we may serve as the calculation agent, potential conflicts of interest could arise.

In addition, we may appoint MLPF&S or one of its affiliates to act as the calculation agent or as joint calculation agent for MPCDs. As the calculation agent or joint calculation agent, MLPF&S or one of its affiliates will have discretion in making various determinations that affect your MPCDs. The exercise of this discretion by the calculation agent could adversely affect the value of your MPCDs and may present the calculation agent with a conflict of interest of the kind described under "—Trading and hedging activities by us, the Dealers, and our

respective affiliates may affect your return on the MPCDs and their market value” and “—Our trading, hedging and other business activities, and those of the Dealers, may create conflicts of interest with you” above.

You may be required to include income on MPCDs over their term for tax purposes, even though you will not receive any payments until maturity. We intend to treat MPCDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“**OID**”) on MPCDs for that year. Only the OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on MPCDs until maturity. The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of MPCDs, which is the yield at which we would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of MPCDs. The comparable yield is determined by us as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on MPCDs.

We will prepare a “projected payment schedule” that produces the comparable yield. If the actual yield on MPCDs exceeds the corresponding amount on the projected payment schedule, the excess will be taxed as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of MPCDs will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of MPCDs.

Risks Relating to the Certificates of Deposit and FDIC Insurance

The FDIC’s powers as receiver or conservator could adversely affect your return.

If the FDIC were appointed as our conservator or receiver, the FDIC would be authorized to disaffirm or repudiate any contract to which we are a party, the performance of which was determined to be burdensome, and the disaffirmance or repudiation of which was determined to promote the orderly administration of our affairs. It is likely that for this purpose, deposit obligations, such as the MPCDs, would be considered “contracts” within the meaning of the foregoing and that the MPCDs could be repudiated by the FDIC as our conservator or receiver. This repudiation should result in a claim by a depositor against the conservator or receiver for the principal of the MPCDs. No claim would be available, however, for any secondary market premium paid by a depositor above the principal amount of an MPCD.

The FDIC as conservator or receiver also may transfer to another insured depository institution any of the insolvent institution’s assets and liabilities, including liabilities such as the MPCDs, without the approval or consent of the beneficial owners of the MPCDs. The transferee depository institution would be permitted to offer beneficial owners of the MPCDs the choice of (i) repayment of the principal amount of the MPCDs or (ii) substitute terms which may be less favorable. If an MPCD is paid off prior to its maturity date, either by a transferee depository institution or the FDIC, its beneficial owner may not be able to reinvest the funds at the same rate of return as the rate on the original MPCD.

The FDIC may not insure all payments in respect of the MPCDs. If FDIC insurance payments become necessary for the MPCDs, the FDIC is required to pay the principal of the MPCDs, subject to the deposit insurance limitations and other conditions described in the Base Disclosure Statement under the section entitled “FDIC Insurance.” As a result, depending on the total amount of all your deposits (including MPCDs, any other certificates of deposit, checking accounts, savings accounts, money market deposit accounts, etc.) that you hold with us, and the manner in which you hold them, FDIC insurance may not be available for the entire amount of your MPCDs, if at all. The MPCDs are not otherwise insured by any governmental agency or instrumentality or any other person.

As a general matter, the FDIC has taken the position that the amount of a “deposit” that is insured by the FDIC includes the principal amount of the deposit plus the ascertainable, accrued interest as of the date of the institution’s failure, but does not include any “contingent” interest that has not yet been ascertained and become due as of the date of the institution’s failure. Therefore, any amount by which the Redemption Amount exceeds the Minimum Redemption Amount of the MPCDs may not be insured by the FDIC until finally determined and payable (as described herein). In addition, any secondary market premium paid by a depositor above the principal amount of the MPCDs is not insured by the FDIC.

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

The scope and extent of FDIC insurance coverage may change. Amendments to existing legislation or regulations or enactment of new legislation or regulations relating to FDIC insurance may be introduced at any time. In the event that any such change to existing law or regulation occurs, for example, a change in law that would result in termination of FDIC insurance for the MPCDs, holders of the MPCDs may be affected. We cannot predict whether new legislation will be enacted or new regulations implemented and, if enacted or implemented, the effect that they would have on holders of the MPCDs. We are not presently required, nor do we intend, to notify holders of the MPCDs of any subsequent changes in the federal deposit insurance coverage rules, unless required by law or regulation.

The FDIC has the right to terminate deposit insurance under certain circumstances. It is possible for our FDIC insured status to be terminated in certain circumstances, which could potentially result in the loss of FDIC insurance for the MPCDs. In that case, repayment or any return on the MPCDs would become subject to our credit risk of with respect to the entire amount principal of the MPCDs as well as any return payable thereon. We intend to redeem the MPCDs if our deposit insurance is terminated.

For additional information, see the section entitled “Deposit Insurance” in this product supplement and the section entitled “FDIC Insurance” in the Base Disclosure Statement.

Risks Relating to the Market Measures

You must rely on your own evaluation of the merits of the MPCDs, which are linked to the applicable Market Measure. In the ordinary course of their businesses, we, the Dealers, and our respective affiliates may have expressed views on expected movements in a Market Measure or the securities included in the Market Measure, and may do so in the future.

These views or reports may be communicated to our clients and clients of these entities. However, these views are subject to change from time to time. Moreover, other professionals who deal in markets relating to a Market Measure may at any time have significantly different views from our views and the views of these entities. For these reasons, you are encouraged to derive information concerning a Market Measure or its component securities from multiple sources, and you should not rely on our views or the views expressed by these entities.

You will have no rights as a security holder, you will have no rights to receive any of the securities represented by the Market Measure, and you will not be entitled to dividends or other distributions by the issuers of these securities. MPCDs are our debt securities. They are not equity instruments, shares of stock, or securities of any other issuer. The MPCDs will not make you a holder of any of the securities represented by the Market Measure. You will not have any voting rights, any rights to receive dividends or other distributions, or any other rights with respect to those securities. As a result, the return on your MPCDs may not reflect the return you would realize if you actually owned those securities and received the dividends paid or other distributions made in connection with them. Additionally, the levels of certain indices reflect only the prices of the securities included in that index and do not take into consideration the value of dividends paid on those securities. Your MPCDs will be paid in cash and you have no right to receive delivery of any of these securities.

If the Market Measure to which your MPCDs are linked includes equity securities traded on foreign exchanges, your return may be affected by factors affecting international securities markets. The value of securities traded outside of the U.S. may be adversely affected by a variety of factors relating to the relevant securities markets. Factors which could affect those markets, and therefore the return on your MPCDs, include:

- **Market Volatility.** The relevant foreign securities markets may be more volatile than U.S. or other securities markets and may be affected by market developments in different ways than U.S. or other securities markets.
- **Political, Economic, and Other Factors.** The prices and performance of securities of companies in foreign countries may be affected by political, economic, financial, and social factors in those regions. Direct or indirect government intervention to stabilize a particular securities market and cross-shareholdings in companies in the relevant foreign markets may affect prices and the volume of trading in those markets. In addition, recent or future changes in government, economic, and fiscal policies in the relevant jurisdictions, the possible imposition of, or changes in, currency exchange laws, or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could negatively affect the relevant securities markets. The relevant foreign economies may differ favorably or unfavorably from the U.S. economy in economic factors such as growth of gross national product, rate of inflation, capital reinvestment, resources, and self-sufficiency.

In particular, many emerging nations are undergoing rapid change, involving the restructuring of economic, political, financial and legal systems. Regulatory and tax environments may be subject to change without review or appeal, and many emerging markets suffer from underdevelopment of capital markets and tax systems. In addition, in some of these nations, issuers of the relevant securities face the threat of expropriation of their assets, and/or nationalization of their businesses. The economic and financial data about some of these countries may be unreliable.

- **Publicly Available Information.** There is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the SEC. In addition, accounting, auditing, and financial reporting standards and requirements in foreign countries differ from those applicable to U.S. reporting companies.

Unless otherwise set forth in the applicable term sheet, we do not control any company included in any Market Measure and are not responsible for any disclosure made by any other company. We, the Dealers, and our respective affiliates currently, or in the future, may engage in business with companies included in a Market Measure, and we, the Dealers, or our respective affiliates may from time to time own securities of companies included in a Market Measure. However, none of us, the Dealers, or any of our respective affiliates have the ability to control the actions of any of these companies or have undertaken any independent review of, or made any due diligence inquiry with respect to, any of these companies, unless (and only to the extent that) the securities of us, the Dealers, or our respective affiliates are represented by that Market Measure. In addition, unless otherwise set forth in the applicable term sheet, none of us, the Dealers, or any of our respective affiliates are responsible for the calculation of any index represented by a Market Measure. You should make your own investigation into the Market Measure.

Unless otherwise set forth in the applicable term sheet, none of the Index Publishers, their affiliates, or any companies included in the Market Measure will be involved in any offering of MPCDs or will have any obligation of any sort with respect to MPCDs. As a result, none of those companies will have any obligation to take your interests as holders of MPCDs into consideration for any reason, including taking any corporate actions that might affect the value of the securities represented by the Market Measure or the value of MPCDs.

Our business activities and those of the Dealers relating to the companies represented by a Market Measure may create conflicts of interest with you. We, the Dealers, and our respective affiliates at the time of any offering of MPCDs or in the future, may engage in business with the companies represented by a Market Measure, including making loans to, equity investments in, or providing investment banking, asset management, or other services to those companies, their affiliates, and their competitors.

In connection with these activities, any of these entities may receive information about those companies that we will not divulge to you or other third parties. We, the Dealers, and our respective affiliates have published, and in the future may publish, research reports on one or more of these companies. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding your MPCDs. Any of these activities may affect the value of the Market Measure and, consequently, the market value of your MPCDs. None of us, the Dealers, or our respective affiliates makes any representation to any purchasers of the MPCDs regarding any matters whatsoever relating to the issuers of the securities included in a Market Measure. Any prospective purchaser of the MPCDs should undertake an independent investigation of the companies included in a Market Measure to a level that, in its judgment, is appropriate to make an informed decision regarding the MPCDs. The composition of the Market Measure does not reflect any investment recommendations from us, the Dealers, or our respective affiliates.

Other Risk Factors Relating to the Applicable Market Measure

The applicable term sheet may set forth additional risk factors as to the Market Measure that you should review prior to purchasing MPCDs.

DESCRIPTION OF MPCDS

General

The following description of the MPCDs supplements the description of the general terms and provisions of the MPCDs set forth in the section “Description of the CDs” in the Base Disclosure Statement. These documents should be read in connection with the applicable term sheet.

The aggregate principal amount of the MPCDs and the CUSIP number for the MPCDs will be set forth in the applicable term sheet. Unless otherwise set forth in the applicable term sheet, the MPCDs will be issued in units of \$10. The MPCDs will mature on the date set forth in the applicable term sheet.

We will not pay interest on the MPCDs.

The MPCDs will pay at least their principal amount on the maturity date, subject to our creditworthiness and FDIC insurance limitations.

Except to the extent that the Survivor’s Option is applicable, the owner of the MPCD may only withdraw funds prior to maturity under limited circumstances. See “—Survivor’s Option.” We cannot redeem MPCDs prior to the maturity date, except as described below under “—Anti-Dilution and Discontinuance Adjustments for an Exchange Traded Fund-Based Market Measure—Discontinuance of the Index Fund.”

Unless otherwise set forth in the applicable term sheet, if the maturity date of the MPCDs falls on a day that is not a business day, the required payment will be made on the next business day, and no interest will accrue on the payment as a result of that postponement.

A “**business day**” means a day in New York, New York on which commercial banks and foreign exchange markets settle payments and are open for general business, including dealings in foreign exchange and foreign currency deposits.

Payment at Maturity

At maturity, subject to our credit risk as Issuer of MPCDs and FDIC insurance limitations, you will receive a Redemption Amount, denominated in U.S. dollars. The “**Redemption Amount**” will be calculated as follows:

- If the Ending Value is greater than the Starting Value, then the Redemption Amount will equal:

$$\text{Principal Amount} + \left[\text{Principal Amount} \times \text{Participation Rate} \times \left(\frac{\text{Ending Value} - \text{Starting Value}}{\text{Starting Value}} \right) \right]$$

If so specified in the applicable term sheet, the Redemption Amount will not exceed a “**Capped Value**” set forth in the term sheet.

- If the Ending Value is equal to or less than the Starting Value, then the Redemption Amount will equal the Minimum Redemption Amount.

The Redemption Amount will not be less than the Minimum Redemption Amount per unit.

The “**Participation Rate**” will be equal to or greater than 100%, unless otherwise set forth in the applicable term sheet.

The “**Minimum Redemption Amount**” may be greater than or equal to the principal amount, as specified in the applicable term sheet. If the Minimum Redemption Amount is equal to the principal amount and the Ending Value is less than the Starting Value, you will not receive a positive return on the MPCDs. However, the Minimum Redemption Amount will not be less than the principal amount.

Each term sheet will provide examples of Redemption Amounts and the related annual percentage yields based on hypothetical Ending Values, and, if applicable, Capped Values.

The term sheet will set forth information as to the specific Market Measure, including information as to the historical values of the Market Measure. However, historical values of the Market Measure are not indicative of its future performance, or the performance of your MPCDs.

The MPCDs do not entitle you to any ownership interest, including any voting rights, dividends paid, interest payments, or other distributions, in the securities of any of the companies included in a Market Measure.

The Starting Value and the Ending Value

Starting Value

Unless otherwise specified in the term sheet, the “**Starting Value**” will equal the closing level of the Market Measure on the pricing date.

Ending Value

Unless otherwise specified in the term sheet, the “**Ending Value**” will equal the average of the closing levels of the Market Measure determined on each calculation day during the Maturity Valuation Period.

The “**Maturity Valuation Period**” means the period consisting of one or more calculation days shortly before the maturity date. The timing and length of the period will be set forth in the term sheet.

A “**calculation day**” means any Market Measure Business Day during the Maturity Valuation Period on which a Market Disruption Event has not occurred.

Unless otherwise specified in the applicable term sheet, a “**Market Measure Business Day**” means a day on which (1) the New York Stock Exchange (the “**NYSE**”) and The NASDAQ

Stock Market, or their successors, are open for trading and (2) the Market Measure or any successor is calculated and published.

If (i) a Market Disruption Event occurs on a scheduled calculation day during the Maturity Valuation Period or (ii) any scheduled calculation day is determined by the calculation agent not to be a Market Measure Business Day by reason of an extraordinary event, occurrence, declaration, or otherwise (any such day in either (i) or (ii) being a “**non-calculation day**”), the closing level of the Market Measure for the applicable non-calculation day will be the closing level of the Market Measure on the next calculation day that occurs during the Maturity Valuation Period. For example, if the first and second scheduled calculation days during the Maturity Valuation Period are non-calculation days, then the closing level of the Market Measure on the next calculation day will also be the closing level for the Market Measure on the first and second scheduled calculation days during the Maturity Valuation Period. If no further calculation days occur after a non-calculation day, or if every scheduled calculation day during the Maturity Valuation Period is a non-calculation day, then the closing level of the Market Measure for each following non-calculation day (or for all the scheduled calculation days during the Maturity Valuation Period, if applicable) will be determined (or, if not determinable, estimated) by the calculation agent in a commercially reasonable manner on the last scheduled calculation day during the Maturity Valuation Period, regardless of the occurrence of a Market Disruption Event on that last scheduled calculation day.

If the Market Measure consists of a Basket, the Starting Value and the Ending Value of the Basket will be determined as described in “—Basket Market Measures.”

Market Disruption Events

For an index, a “**Market Disruption Event**” means any of the following events, as determined by the calculation agent in its sole discretion:

- (A) the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange where the securities included in an index trade (without taking into account any extended or after-hours trading session), in 20% or more of the securities which then comprise the index or any successor index; and
- (B) the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange that trades options contracts or futures contracts related to the index (without taking into account any extended or after-hours trading session), whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in options contracts or futures contracts related to the index, or any successor index.

For the purpose of determining whether a Market Disruption Event has occurred:

- (1) a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange;

- (2) a decision to permanently discontinue trading in the relevant futures or options contracts related to the index, or any successor index, will not constitute a Market Disruption Event;
- (3) a suspension in trading in a futures or options contract on the index, or any successor index, by a major securities market by reason of (a) a price change violating limits set by that securities market, (b) an imbalance of orders relating to those contracts, or (c) a disparity in bid and ask quotes relating to those contracts will constitute a suspension of or material limitation on trading in futures or options contracts related to the index;
- (4) a suspension of or material limitation on trading on the relevant exchange will not include any time when that exchange is closed for trading under ordinary circumstances; and
- (5) if applicable to indices with component securities listed on the NYSE, for the purpose of clause (A) above, any limitations on trading during significant market fluctuations under NYSE Rule 80B, or any applicable rule or regulation enacted or promulgated by the NYSE or any other self-regulatory organization or the SEC of similar scope as determined by the calculation agent, will be considered “material.”

Adjustments to an Index

After the applicable pricing date, an Index Publisher may make a material change in the method of calculating an index or in another way that changes the index such that it does not, in the opinion of the calculation agent, fairly represent the level of the index had those changes or modifications not been made. In this case, the calculation agent will, at the close of business in New York, New York, on each date that the closing level is to be calculated, make adjustments to the index. Those adjustments will be made in good faith as necessary to arrive at a calculation of a level of the index as if those changes or modifications had not been made, and calculate the closing level of the index, as so adjusted.

Discontinuance of an Index

After the pricing date, an Index Publisher may discontinue publication of an index to which an issue of MPCDs is linked. The Index Publisher or another entity may then publish a substitute index that the calculation agent determines, in its sole discretion, to be comparable to the original index (a “**successor index**”). If this occurs, the calculation agent will substitute the successor index as calculated by the relevant Index Publisher or any other entity and calculate the Ending Value as described under “—The Starting Value and the Ending Value” or “—Basket Market Measure,” as applicable. If the calculation agent selects a successor index, the calculation agent will give written notice of the selection to the trustee, to us, and to the holders of the MPCDs.

If an Index Publisher discontinues publication of the index before the end of the Maturity Valuation Period and the calculation agent does not select a successor index, then on each day that would have been a calculation day, until the earlier to occur of:

- the determination of the Ending Value; and
- a determination by the calculation agent that a successor index is available,

the calculation agent will compute a substitute level for the index in accordance with the procedures last used to calculate the index before any discontinuance as if that day were a calculation day. The calculation agent will make available to holders of the MPCDs information regarding those levels by means of Bloomberg L.P., Thomson Reuters, a website, or any other means selected by the calculation agent in its reasonable discretion.

If a successor index is selected or the calculation agent calculates a level as a substitute for an index, the successor index or level will be used as a substitute for all purposes, including for the purpose of determining whether a Market Disruption Event exists.

Notwithstanding these alternative arrangements, any modification or discontinuance of the publication of any index to which your MPCDs are linked may adversely affect trading in the MPCDs.

Basket Market Measures

If the Market Measure to which your MPCDs are linked is a Basket, the Basket Components will be set forth in the term sheet. We will assign each Basket Component a weighting (the “**Initial Component Weight**”) so that each Basket Component represents a percentage of the Starting Value of the Basket on the pricing date. We may assign the Basket Components equal Initial Component Weights, or we may assign the Basket Components unequal Initial Component Weights. The Initial Component Weight for each Basket Component will be stated in the term sheet.

Determination of the Component Ratio for Each Basket Component

The “**Starting Value**” of the Basket will be equal to 100. We will set a fixed factor (the “**Component Ratio**”) for each Basket Component on the pricing date, based upon the weighting of that Basket Component. The Component Ratio for each Basket Component will be calculated on the pricing date and will equal:

- the Initial Component Weight (expressed as a percentage) for that Basket Component, multiplied by 100; *divided by*
- the closing level of that Basket Component on the pricing date.

Each Component Ratio will be rounded to eight decimal places.

The Component Ratios will be calculated in this way so that the Starting Value of the Basket will equal 100 on the pricing date. The Component Ratios will not be revised subsequent to their determination on the pricing date, except that the calculation agent may in its good faith judgment adjust the Component Ratio of any Basket Component in the event that Basket Component is materially changed or modified in a manner that does not, in the opinion of the calculation agent, fairly represent the value of that Basket Component had those material changes or modifications not been made.

The following table is for illustration purposes only, and does not reflect the actual composition, Initial Component Weights, or Component Ratios, which will be set forth in the term sheet.

Example: The **hypothetical** Basket Components are Index ABC, Index XYZ, and Index RST, with their Initial Component Weights being 50.00%, 25.00% and 25.00%, respectively, on a **hypothetical** pricing date:

Basket Component	Initial Component Weight	Hypothetical Closing Level⁽¹⁾	Hypothetical Component Ratio⁽²⁾	Initial Basket Value Contribution
Index ABC	50.00%	500.00	0.10000000	50.00
Index XYZ.....	25.00%	2,420.00	0.01033058	25.00
Index RST.....	25.00%	1,014.00	0.02465483	<u>25.00</u>
Starting Value				100.00

- (1) This column sets forth the **hypothetical** closing level of each Basket Component on the **hypothetical** pricing date.
- (2) The **hypothetical** Component Ratio equals the Initial Component Weight (expressed as a percentage) of each Basket Component multiplied by 100, and then divided by the closing level of that Basket Component on the **hypothetical** pricing date, with the result rounded to eight decimal places.

Unless otherwise stated in the term sheet, if a Market Disruption Event occurs on the pricing date as to any Basket Component, the calculation agent will establish the closing level of that Basket Component (the “**Basket Component Closing Level**”), and thus its Component Ratio, based on the closing level of that Basket Component on the first Market Measure Business Day following the pricing date on which no Market Disruption Event occurs for that Basket Component. In the event that a Market Disruption Event occurs for that Basket Component on the pricing date and on each day to and including the second scheduled Market Measure Business Day following the pricing date, the calculation agent (not later than the close of business in New York, New York on the second scheduled Market Measure Business Day following the pricing date) will estimate the Basket Component Closing Level, and thus the applicable Component Ratio, in a manner that the calculation agent considers commercially reasonable. The final term sheet will provide the Basket Component Closing Level, a brief statement of the facts relating to the establishment of the Basket Component Closing Level (including the applicable Market Disruption Event(s)), and the applicable Component Ratio.

For purposes of determining whether a Market Disruption Event has occurred as to any Basket Component, “Market Disruption Event” will have the meaning stated above in “—Market Disruption Events.”

Ending Value of the Basket

The calculation agent will calculate the value of the Basket by summing the products of the Basket Component Closing Level on a calculation day and the Component Ratio for each Basket Component. The value of the Basket will vary based on the increase or decrease in the level of each Basket Component. Any increase in the level of a Basket Component (assuming no change in the level of the other Basket Component or Basket Components) will result in an increase in the value of the Basket. Conversely, any decrease in the level of a Basket

Component (assuming no change in the level of the other Basket Component or Basket Components) will result in a decrease in the value of the Basket.

The “**Ending Value**” of the Basket will be the average value of the Basket on each calculation day during the Maturity Valuation Period.

Unless otherwise specified in the term sheet, if, for any Basket Component (an “**Affected Basket Component**”), (i) a Market Disruption Event occurs on a scheduled calculation day during the Maturity Valuation Period or (ii) any scheduled calculation day is determined by the calculation agent not to be a Market Measure Business Day by reason of an extraordinary event, occurrence, declaration, or otherwise (any such day in either (i) or (ii) being a “**non-calculation day**”), the calculation agent will determine the value of the Basket Components for such non-calculation day, and as a result, the Ending Value, as follows:

- The closing level of each Basket Component that is not an Affected Basket Component will be its closing level on such non-calculation day.
- The closing level of each Basket Component that is an Affected Basket Component for the applicable non-calculation day will be determined in the same manner as described in the fifth paragraph of subsection “—The Starting Value and the Ending Value—Ending Value,” provided that references to “Market Measure” will be references to “Basket Component.”

Role of the Calculation Agent

The calculation agent has the sole discretion to make all determinations regarding MPCDs as described in this product supplement, including determinations regarding the Starting Value, the Ending Value, the Market Measure, the Redemption Amount, any Market Disruption Events, a successor index, Market Measure Business Days, business days, calculation days, non-calculation days, and calculations related to the discontinuance of any index. Absent manifest error, all determinations of the calculation agent will be conclusive for all purposes and final and binding on you and us, without any liability on the part of the calculation agent.

We or one of our affiliates may act as the calculation agent, or we may appoint MLPF&S or one of its affiliates to act as the calculation agent for MPCDs. Alternatively, we and MLPF&S or one of its affiliates may act as joint calculation agents for MPCDs. When we refer to a “calculation agent” in this product supplement or in any term sheet, we are referring to the applicable calculation agent or joint calculation agents, as the case may be. We may change the calculation agent at any time without notifying you. The identity of the calculation agent will be set forth in the applicable term sheet.

Book-Entry Only Issuance; The Depository Trust Company

The Depository Trust Company, or “DTC”, will act as depository for the MPCDs. The MPCDs will be evidenced by one or more master certificates, each representing a number of individual MPCDs.

Survivor's Option

The provisions of this section will be applicable to your MPCDs, unless otherwise specified in the applicable term sheet.

Withdrawals will be permitted prior to the stated maturity date only in the event of the death of the beneficial owner of an MPCD. In such event, provided that prior written notice of such proposed withdrawal has been given to your Dealer and to us as provided below, together with appropriate documentation to support that request, we will permit withdrawal of all MPCDs held by the Affected Person (as defined below) (partial withdrawals will be permitted only as described below). This right is called the "Survivor's Option." An "Affected Person" is a person who has the right, immediately prior to his or her death, to receive the proceeds from the disposition of that MPCD, as well as the right to receive payment of the principal of the MPCDs, and acquired his or her interest in the MPCDs at least six months prior to the election of the Survivor's Option.

Upon the valid election of the Survivor's Option and the proper tender of the MPCDs for repayment, we will repay 100% of the principal amount of the Affected Person's beneficial interest in the MPCDs (or the portion of the MPCDs to be withdrawn). Accordingly, the amount you receive may be less than the Redemption Amount per unit that will be paid on the maturity date.

Election of Survivor's Option; Determination of Affected Person

To be valid, the Survivor's Option must be elected by or on behalf of the person who has authority to act on behalf of the Affected Person under the laws of the applicable jurisdiction (including, without limitation, the personal representative of or the executor of the estate of the Affected Person, or the surviving joint owner with the Affected Person).

The death of an Affected Person holding a beneficial ownership interest in an MPCD as a joint tenant or tenant by the entirety with another person, or as a tenant in common with that Affected Person's spouse, will be deemed the death of a beneficial owner of that MPCD, and the entire principal amount of the MPCDs held in this manner will be subject to repayment upon election of the Survivor's Option. However, the death of an Affected Person holding a beneficial ownership interest in an MPCD as tenant in common with a person other than that Affected Person's spouse will be deemed the death of a beneficial owner only with respect to that Affected Person's interest in the MPCDs, and only the Affected Person's percentage interest in the principal amount of the MPCDs will be subject to repayment.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in an MPCD will be deemed the death of the beneficial owner of that MPCD for purposes of the Survivor's Option, regardless of whether that beneficial owner was the registered holder of the MPCDs, if the beneficial ownership interest can be established to our satisfaction or to the satisfaction of our paying agent. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, or community property or another joint ownership arrangement between a husband and wife. In addition, the beneficial ownership interest in an MPCD will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interest in that MPCD during his or her lifetime.

Limitation on Election of the Survivor's Option

We have the discretionary right to limit the aggregate principal amount of the MPCDs as to which elections of the Survivor's Option will be accepted from all authorized representatives of Affected Persons in any calendar year. We may limit these elections to an amount equal to the greater of \$2,000,000 or 2.00% of the aggregate principal amount of this series of MPCDs outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit the aggregate principal amount of the MPCDs as to which elections of the Survivor's Option will be accepted from the authorized representative for any Affected Person to \$250,000 across all of our MPCDs and other equity-linked certificates of deposit. In addition, we will not permit the election of the Survivor's Option for a principal amount less than \$1,000 (or the applicable principal amount, if that amount is greater than \$1,000), and will not permit the election of the Survivor's Option if the election will result in an outstanding MPCD having a principal amount of less than that amount.

Additional Conditions

An otherwise valid election of the Survivor's Option may not be withdrawn. An election of the Survivor's Option will be accepted in the order that it was received by us or our paying agent, except for any MPCD the acceptance of which would contravene any of the limitations described above.

Each tendered MPCD that is not accepted in a calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such MPCDs were originally tendered. If an MPCD tendered through a valid election of the Survivor's Option is not accepted, we or our paying agent will deliver a notice by first-class mail to the authorized representative of the Affected Person, at the address described in the form of request described in the applicable term sheet, that states the basis for such non-acceptance.

Survivor's Option Payment Dates

Unless otherwise set forth in the applicable term sheet, the Survivor's Option payment dates will occur on each six-month anniversary of the pricing date of your MPCDs. The final Survivor's Option payment date will occur on the last anniversary date that is at least 180 days prior to the maturity date of the applicable MPCDs.

Required Documentation; Determination Final; Disbursements

To elect the Survivor's Option, the Affected Person's authorized representative must provide the following items to the applicable Dealer or to such other entity through which the Affected Person holds the beneficial interest in the MPCDs:

- appropriate evidence satisfactory to us or to our paying agent that:
 - (a) the Affected Person was the beneficial owner of the MPCDs at the time of death, and the Affected Person acquired his or her interest in the MPCDs at least six months prior to the request for repayment,
 - (b) the death of the Affected Person has occurred and the date of death, and

(c) the representative has authority to act on behalf of the Affected Person;

- if the beneficial interest in the MPCDs is held by a nominee of the Affected Person, a certificate satisfactory to us or to our paying agent from the nominee attesting to the Affected Person's ownership of that MPCD;
- a written request for repayment signed by the authorized representative of the Affected Person with the signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the U.S.;
- if applicable, a properly executed assignment or endorsement;
- tax waivers and any other instruments or documents that we or our paying agent reasonably requires in order to establish the validity of the beneficial ownership of the MPCDs and the claimant's entitlement to payment; and
- any additional information we or our paying agent requires to evidence satisfaction of any conditions to the election of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the MPCDs.

In turn, the applicable Dealer or other entity will deliver each of these items to The Depository Trust Company, 570 Washington Boulevard, 4th Floor, Jersey City, NJ 07310, Attention: Reorganization Department, (212) 855-4193, and will certify to DTC that the Dealer or other entity represents the Affected Person. DTC will then forward these documents to us or to our paying agent. We or our paying agent will enable DTC, as depository of the master certificate representing the MPCDs, to withdraw your MPCDs under the Survivor's Option.

Forms for the election of the Survivor's Option may be obtained upon request from Wealth Management Sales, HSBC Bank USA, National Association, 452 Fifth Avenue, 9th Floor, New York, NY 10018, Phone: 212-525-8010.

All other questions regarding the eligibility or validity of any election of the Survivor's Option will be determined by us or our paying agent, in our sole discretion, which determination will be final and binding on all parties.

The applicable Dealer or other entity will be responsible for disbursing payments received from us to the authorized representative.

Events of Default and Acceleration

The following will be "Events of Default" with respect to the MPCDs: (a) a default in the payment of the Redemption Amount when due and (b) the appointment of a conservator, receiver, liquidator, or similar official for us or for all or substantially all of our property, or the taking by us of any action to seek relief under any applicable insolvency or reorganization law. By written notice to us, you may declare all amounts of your MPCD due and payable immediately if an Event of Default has occurred and is continuing at the time of such declaration; provided that at least seven calendar days have elapsed since the original issue

date of the MPCD. Any Event of Default with respect to an MPCD may be waived by the holder of the MPCDs.

If an MPCD is to be repaid early as a result of an event described in clause (b) above, the amount payable to a beneficial owner of an MPCD upon any acceleration permitted by that MPCD will be determined as if the MPCDs matured on the date of acceleration, as set forth above under the caption, “—Payment at Maturity.”

Upon the declaration and notice, the amount payable described above will become immediately due and payable. In case of a default in payment of the MPCDs, whether at their maturity or upon acceleration, the MPCDs will not bear a default interest rate.

Listing

The MPCDs are not securities, and will not be listed on any securities exchange.

DEPOSIT INSURANCE

The following disclosures are intended to supplement the disclosures regarding deposit insurance in the accompanying Base Disclosure Statement, including the section entitled "FDIC Insurance" included therein. The following disclosures shall be deemed to supersede any conflicting provisions in the accompanying Base Disclosure Statement.

The summary of FDIC deposit insurance laws and regulations contained in the Base Disclosure Statement and herein are not intended to be a full restatement of applicable laws and FDIC regulations and interpretations. In addition the applicable laws and FDIC regulations and interpretations may change from time to time and, in certain instances, additional terms and conditions may apply which are not described in the Disclosure Statement or herein. Accordingly, the discussion in the Base Disclosure Statement and herein is qualified in its entirety by applicable laws and the FDIC regulations and interpretations. The depositor is urged to discuss with its attorney the insurance coverage afforded to any MPCD that it may purchase.

FDIC insurance is available on the amount of MPCDs you purchase only within the limits and to the extent set forth in the Federal Deposit Insurance Act and in the regulations and interpretations of the FDIC. As of the date of this product supplement, the FDIC insures all deposits maintained by a depositor in the same ownership capacity (for example, individual or joint) at the same insured depository institution in an aggregate amount of \$250,000. The maximum amount of deposit insurance separately available in the case of deposits in certain retirement accounts also is \$250,000 per participant per insured depository institution. The maximum FDIC insurance limit may be adjusted for inflation beginning April 1, 2015 and each fifth year thereafter. Accordingly, holders of MPCDs whose principal amounts, together with any other deposits held by you in the same right and capacity, exceed the applicable federal deposit insurance limit will not be insured by the FDIC for the principal amount exceeding such limits. All other deposits you maintain directly with us in the same ownership capacity as you maintain your MPCDs would be aggregated with such MPCDs for purposes of the applicable maximum FDIC insurance limit.

In making your decision to purchase or hold the MPCDs, you should not rely on the availability of FDIC insurance to the extent the principal amount of the MPCDs which, together with any other deposits that you maintain with us in the same ownership capacity, is in excess of the applicable FDIC insurance limits. The FDIC has taken the position that any secondary market premium paid by you in excess of the MPCD principal amount is not covered by FDIC insurance. In addition, the FDIC may also take the position that no portion of the Redemption Amount that is greater than the Minimum Redemption Amount is insured unless the Redemption Amount has been ascertained and become due at the point that FDIC insurance payments become necessary.

You are responsible for determining and monitoring the FDIC insurance coverage limits that are applicable to you in purchasing any MPCDs. Neither we nor MLPF&S undertakes to determine or monitor the FDIC insurance coverage that may be available to you. You should make your own decision regarding the MPCDs and FDIC insurance coverage after consulting with your legal, tax, and other advisors. **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.** Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below, particularly for revocable trusts, and for other forms of ownership as

the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

The application of some of the FDIC insurance coverage limits is described in the section entitled “FDIC Insurance” beginning on page 27 of the Base Disclosure Statement. The application of FDIC insurance coverage limits for certain of the more common account types not discussed in the accompanying Base Disclosure Statement is illustrated below. **Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.**

Individual Customer Accounts. Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the MPCDs held in a brokerage account) are not treated as owned by the agent or nominee, as long as our account records are clear and unambiguous as to the titling and ownership of the account. Instead, these funds are added to other deposits of the same individual that are held in the same legal capacity and are insured, in the aggregate, up to the applicable maximum FDIC insurance limit.

Custodial Accounts. Funds in accounts held by a custodian, guardian or conservator (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian as long as the account records of the Bank are clear and unambiguous as to the titling and ownership of the account, but are added to other deposits of the minor or other beneficiary held in the same legal capacity and are insured, in the aggregate, up to the applicable maximum FDIC insurance limit.

Joint Accounts. The interest of each co-owner in funds in an account held under any form of joint ownership that is valid under applicable state law may be insured, in the aggregate, up to the applicable maximum FDIC insurance limit with other jointly held funds of such co-owner, separately and in addition to the applicable maximum FDIC insurance limit allowed on other deposits individually owned by any of the co-owners of such account (hereinafter referred to as a “**Joint Account**”). Joint Accounts will be insured separately from such individually owned accounts only if each of the co-owners is an individual person has a right of withdrawal on the same basis as the other co-owners and has signed the deposit account signature card (unless the account is an MPCD or is established by an agent, nominee, guardian, custodian, executor or conservator). If the Joint Account meets the foregoing criteria then it shall be deemed to be jointly owned as long as our account records are clear and unambiguous as to the ownership of the account. However, if the account records are ambiguous or unclear as to the manner in which the account is owned, then the FDIC may consider evidence other than such account records to determine ownership. The names of two or more persons on a deposit account shall be conclusive evidence that the account is a Joint Account unless the deposit records as a whole are ambiguous and some other evidence indicates that there is a contrary ownership capacity. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a Joint Account. In the event an individual has an interest in more than one Joint Account and different co-owners are involved, the amounts of that individual’s interest in all of such Joint Accounts are then added together and insured, in the aggregate, up to the applicable maximum FDIC insurance limit. This means that that no one individual’s insured interest in all joint

accounts of which that individual is a co-owner at any one depository institution can exceed the applicable maximum FDIC insurance limit. For deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account unless otherwise stated in our records.

Entity Accounts. All deposit accounts of any corporation, partnership or unincorporated association that is operated primarily for some purpose other than to increase deposit insurance are added together and insured up to the applicable maximum FDIC insurance limit in the aggregate per depository institution.

Retirement and Employee Benefit Plans and Accounts - Generally. You may have interests in various retirement and employee benefit plans and accounts that are holding our deposits. The amount of deposit insurance you will be entitled to will vary depending on the type of plan or account and on whether deposits held by the plan or account will be treated separately or aggregated with our deposits held by other plans or accounts. It is therefore important to understand the type of plan or account holding the MPCD. The following sections entitled “—Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits” and “—Aggregation of Retirement and Employee Benefit Plans and Accounts” generally discuss the rules that apply to deposits of retirement and employee benefit plans and accounts.

Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits. Subject to the limitations discussed below, under FDIC regulations, an individual’s non-contingent interest in the deposits of one depository institution held by certain types of employee benefit plans are eligible for insurance on a “pass-through” basis up to the applicable deposit insurance limits for that type of plan (the “**Maximum Retirement Account Amount**”). This means that, instead of an employee benefit plan’s deposits at one depository institution being entitled to deposit insurance based on its aggregated deposits, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan’s deposits of up to the applicable deposit insurance limits per institution (subject to the aggregation of the participant’s interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the deposit insurance allowed on other deposits held by the individual at the issuing institution. However, pass-through insurance is aggregated across certain types of eligible retirement and benefit plan accounts. See the section entitled “Aggregation of Retirement and Employee Benefit Plans and Accounts.”

- A deposit held by an employee benefit plan that is eligible for pass-through insurance is not insured for an amount that is simply equal to the number of plan participants multiplied by the applicable deposit insurance limits; instead, the deposit insurance that is available for a Qualified Retirement Account as (defined below) is calculated based on the size of each plan participant’s interest in the plan. For example, assume an employee benefit plan that is a Qualified Retirement Account that is eligible for deposit insurance coverage up to the Maximum Retirement Account Amount per qualified beneficiary owns \$500,000 in deposits at one institution and the plan has two participants, one with a vested non-contingent interest of \$350,000 and one with a vested non-contingent interest of \$150,000. In this case, the individual with the

\$350,000 interest would be insured up to the current \$250,000 maximum FDIC insurance limit, and the individual with the \$150,000 interest would be insured up to the full value of such interest.

- Moreover, the contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee defined benefit plan are not insured on a pass-through basis. Therefore, any contingent interests of an employee in an employee benefit plan deposit will be aggregated with the contingent interests of all other participants and that total will be insured up to the applicable deposit insurance limits. Similarly, overfunded amounts are insured in the aggregate for all participants up to the applicable deposit insurance limits separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.
- A “non-contingent” interest in a deposit means an interest that can be determined without taking into account any contingencies (with some exceptions) affecting that interest in accordance with FDIC rules.

Aggregation of Retirement and Employee Benefit Plans and Accounts

- Self-Directed Retirement Accounts. The principal amount of deposits held in Qualified Retirement Accounts, plus accrued but unpaid interest, if any, are protected by FDIC insurance up to a maximum of the applicable maximum FDIC insurance limit for all such deposits held by you at the same depository institution. “Qualified Retirement Accounts” consist of (i) any individual retirement account (“**IRA**”), (ii) any eligible deferred compensation plan described in section 457 of the Code, (iii) any individual account plan described in section 3(34) of ERISA, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts and (iv) any plan described in section 401(d) of the Code, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts. The FDIC sometimes generically refers to this group of accounts as “self-directed retirement accounts.” Supplementary FDIC materials indicate that Roth IRAs, self-directed Keogh Accounts, Simplified Employee Pension plans, Savings Incentive Match Plans for Employees and self-directed defined contribution plans (such as 401(k) plans) are intended to be included within this group of Qualified Retirement Accounts. However, Coverdell education savings accounts, Health Savings Accounts, Medical Savings Accounts, accounts established under section 403(b) of the Code and defined-benefit plans are NOT Qualified Retirement Accounts and do NOT receive the Maximum Retirement Account Amount of federal deposit insurance per plan participant.
- Other Employee Benefit Plans. Any employee benefit plan, as defined in Section 3(3) of ERISA, plan described in Section 401(d) of the Code, or eligible deferred compensation plan under section 457 of the Code, that does not constitute a Qualified Retirement Account – for example,

certain employer-sponsored profit sharing plans – can still satisfy the requirements for pass-through insurance with respect to non-contingent interests of individual plan participants, provided that FDIC requirements for recordkeeping and account titling are met (“Non-Qualifying Benefit Plans”). Defined contribution plan accounts and Keogh accounts that are not “self-directed” also generally would be treated as Non-Qualifying Benefit Plans. For Non-Qualifying Benefit Plans, the amount subject to federal deposit insurance is the applicable maximum FDIC insurance limit applied to all the assets of the Non-Qualifying Benefit Plan. Further, under FDIC regulations, an individual’s interests in Non-Qualifying Benefit Plans maintained by the same employer or employee organization (e.g., a union) which are holding deposits at the same institution will be insured up to the applicable maximum FDIC insurance limit in the aggregate, separate from other accounts held at the same depository institution in other ownership capacities.

Exceptions. This general rule regarding pass-through insurance is subject to the following limitations and exceptions:

- Total Coverage Might Not Equal the Maximum Retirement Account Amount Times the Number of Participants. Each deposit held by an employee benefit plan may not necessarily be insured for an amount equal to the number of participants multiplied by the maximum FDIC insurance limit; instead, the deposit insurance that is available for the plan is calculated based on the size of each plan participant’s interest in the plan. For example, suppose an employee benefit plan owns \$500,000 in MPCDs at one institution. Suppose, further, that the employee benefit plan has two participants, one with a vested non-contingent interest of \$300,000 and one with a vested non-contingent interest of \$200,000. The individual with the \$300,000 interest would be insured up to the \$250,000 maximum FDIC insurance limit and the individual with the \$200,000 interest would be insured up to the full value of such interest.
- Aggregation. An individual’s non-contingent interests in funds deposited with the same depository institution by different employee benefit plans of the same employer or employee organization are aggregated for purposes of applying this pass-through maximum FDIC insurance limit amount per participant deposit insurance limit, and are insured in aggregate only up to the Maximum Retirement Account Amount per participant.
- Contingent Interests/Overfunding. Any portion of an employee benefit plan’s deposits that is not attributable to the non-contingent interests of employee benefit plan participants is not eligible for pass-through deposit insurance coverage, and is insured, in the aggregate, only up to the maximum FDIC insurance limit for the plan.

To the extent that an MPCD purchaser expects its beneficial interest in the MPCDs to be fully covered by FDIC insurance, such purchaser, by purchasing an MPCD, is deemed to represent to us and its broker that its beneficial interest (or if it is an agent, nominee, custodian or other person who is purchasing an MPCD for its beneficial owners, that each beneficial owner's beneficial interest) in other deposits, when aggregated with the beneficial interest in the MPCD so purchased, to the extent that aggregation is required in determining insurance of accounts under the federal deposit insurance regulations, does not exceed the applicable maximum FDIC insurance limit. We and the Dealers will have no direct or indirect liability or responsibility of any kind whatsoever to any MPCD holder if this representation is in any respect untrue or inaccurate.

In addition, if we are not "well-capitalized" within the meaning of the Federal Deposit Insurance Act and implementing federal banking agency regulations, we may not accept "employee benefit plan" deposits as defined in that act.

Payments Under Adverse Circumstances

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

As explained above, the deposit insurance limits apply to the principal and any Redemption Amount in excess of the principal that has been ascertained and become due on all MPCDs and other deposit accounts maintained by you at HSBC in the same legal ownership category. You may be required to provide certain documentation to the FDIC before insurance payments are released to you. For example, if you hold MPCDs 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. Records maintained by us and your Dealer regarding MPCD ownership will be used by the FDIC to establish your eligibility for FDIC deposit insurance.

In the event that insurance payments become necessary for your MPCDs, the FDIC is required to pay the original principal amount and any portion of the Redemption Amount that has been ascertained and become due, subject to the federal deposit insurance limits as of the time the depository institution is closed. Therefore, no interest will be earned or paid on deposits for the time interval between any date that we are closed and the date insurance payments are made.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent depository institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the MPCDs under the original terms or offer you a choice between paying the MPCD off and maintaining the deposit (potentially with different terms). Your Dealer will advise you of your options in the event of a deposit transfer.

Neither we, any of our affiliates, nor your Dealer will be obligated to you for amounts not covered by deposit insurance nor will we, any of our affiliates, or your Dealer 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 MPCD, (ii) your receipt of a decreased payment on an investment replacing your MPCD as a result of the payment of the principal of your MPCD prior to its stated maturity, or (iii) payment in cash of the principal of your MPCD prior to its stated maturity in connection with our liquidation or the assumption of all or a portion of our deposit liabilities. In connection with the latter, the amount of a payment on an MPCD 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, neither we, any of our affiliates, nor your Dealer will be obligated to credit your account with funds in advance of payments received from the FDIC.

Termination of Deposit Insurance

If our deposit insurance is terminated by the FDIC or by us, we will redeem the MPCDs on the last business day on which the deposits would be insured by the FDIC. In such event, we shall pay the greater of (i) the applicable Minimum Redemption Amount or (ii) the fair market value of the MPCDs (as determined by the calculation agent). These amounts will be remitted to CEDE & Co., as nominee of DTC, or to registered assigns, in federal or other immediately available funds on the date of redemption.

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. This brochure explains the federal insurance limitation for the various types of accounts you might own. You can also contact the FDIC, Division of Depositor 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.

SUPPLEMENTAL PLAN OF DISTRIBUTION

MLPF&S and one or more of its affiliates may act as Dealers for any offering of the MPCDs. Each Dealer will receive a placement fee from us in connection with your purchase of an MPCD. Also, an MPCD sold in the secondary market may have been purchased from us by a Dealer upon issuance and held by such Dealer until the secondary market sale.

No Dealer is acting as your fiduciary or advisor, and you should not rely upon any communication from it in connection with the MPCDs as investment advice or a recommendation to purchase any MPCDs. You should make your own decision regarding the MPCDs after consulting with your legal, tax, and other advisors.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

THE FOLLOWING DISCUSSION OF U.S. FEDERAL INCOME TAX MATTERS AND ANY OTHER DISCUSSIONS OF U.S. FEDERAL INCOME TAX MATTERS CONTAINED IN THIS TERMS AND CONDITIONS (A) WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX-RELATED PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON, AND (B) WERE WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF MPCDs BY THE BANK AND ITS AGENTS. EACH PERSON CONSIDERING AN INVESTMENT IN MPCDs SHOULD SEEK ADVICE BASED ON SUCH PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Set forth below is a summary of certain U.S. federal income tax considerations relevant to the purchase, beneficial ownership, and disposition of MPCDs.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of MPCDs that is:

- an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of MPCDs that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate whose income is not subject to U.S. federal income tax on a net income basis; or
- a trust, if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

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).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the “**Code**”), regulations issued there under, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only holders that purchase MPCDs at initial issuance and beneficially own such MPCDs as capital assets and not as part of a “straddle,” “hedge,” “synthetic security” or a “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular depositors or to depositors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; depositors that hold their MPCDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; depositors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the MPCDs in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or “passive foreign investment companies” for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of MPCDs, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the MPCDs. This summary assumes that the issue price of MPCDs, as determined for U.S. federal income tax purposes, equals the principal amount thereof and that the MPCDs have a maturity of at least one year.

Tax Characterization of the MPCDs

We intend to treat MPCDs as indebtedness for U.S. federal income tax purposes and any reports to the Internal Revenue Service (the “**IRS**”) and U.S. Holders will be consistent with such treatment, and each holder will agree to treat MPCDs as indebtedness for U.S. federal income tax purposes. The discussion that follows is based on that approach. Depositors should be aware, however, that the IRS is not bound by our characterization of MPCDs as indebtedness, and the IRS could possibly take a different position as to the proper characterization of MPCDs for U.S. federal income tax purposes. If MPCDs are not in fact treated as debt instruments of the Bank for U.S. federal income tax purposes, then the U.S. federal income tax treatment of owning and disposing of MPCDs could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized in respect of MPCDs could differ from the timing and character of income, gain or loss recognized in respect of MPCDs had the MPCDs in fact been treated as a debt instrument of the Issuer for U.S. federal income tax purposes.

We will not attempt to ascertain whether any of the entities whose stock is included in the Market Measure would be treated as a passive foreign investment company (“**PFIC**”) or United States real property holding corporation (“**USRPHC**”), both as defined for U.S. federal income tax purposes. If any entity whose stock is included in the Market Measure were so treated, certain adverse U.S. federal income tax consequences might apply to a U.S. Holder in the case of a PFIC and to a Non-U.S. Holder in the case of a USRPHC. You should refer to information

filed with the SEC and other authorities by any entity whose stock is included in the Market Measure, and consult your tax advisor regarding the possible consequences to you if any entity whose stock is included in the Market Measure is or becomes a PFIC or a USRPHC.

Tax Treatment of U.S. Holders

Accrual of Original Issue Discount. MPCDs generally will be subject to special rules, set forth in Treasury regulations, governing contingent payment debt instruments (“**CPDIs**”), and the Bank and the holders will agree to treat MPCDs as CPDIs for U.S. federal income tax purposes. Under the Treasury regulation governing CPDIs, accruals of income, gain, loss and deduction with respect to MPCDs will be determined under the “noncontingent bond method”. Under the noncontingent bond method, U.S. Holders of MPCDs will accrue original issue discount (“**OID**”) over the term of MPCDs based on the MPCDs’ comparable yield.

In general, the comparable yield of MPCDs is equal to the yield at which the we would issue a fixed rate debt instrument with terms and conditions similar to those of MPCDs, including level of subordination, term, timing of payments, and general market conditions. The comparable yield is determined by us as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on MPCDs.

The applicable term sheet will either provide the comparable yield, or investors can obtain the comparable yield of the CDs, as determined by the Bank, by submitting a written request to: Structured Equity Derivatives - HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018.

U.S. Holders will generally accrue OID in respect of MPCDs at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the “adjusted issue price” of MPCDs at the beginning of each such accrual period and the comparable yield. The “adjusted issue price” of MPCDs at the beginning of an accrual period will equal the issue price of MPCDs plus the amount of OID previously includible in the gross income of the U.S. Holder. The issue price of MPCDs will be the first price at which a substantial amount of MPCDs are sold. The amount of OID includible in the income of each U.S. Holder for each taxable year will generally equal the sum of the “daily portions” of the total OID on the MPCDs allocable to each day during the taxable year on which a U.S. Holder held the MPCDs. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed as ordinary income. Information returns indicating the amount of OID accrued on MPCDs held by persons of record other than corporations and certain other “exempt recipients” will be filed with the IRS and sent to such record holder.

We are also obligated by applicable U.S. federal income tax regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule for MPCDs that reflects a projected payment at maturity and that produces the comparable yield. The applicable term sheet will either provide such projected payment schedule, or investors can obtain the projected payment schedule, as determined by the Bank, by submitting a written request to: Structured Equity Derivatives - HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018. Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while MPCDs are outstanding. A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by us for MPCDs. However, if a U.S. Holder believes that the

projected payment schedule is unreasonable, a U.S. Holder must determine the comparable yield and set its own projected payment schedule for the MPCD and explicitly disclose the use of such schedule and the reason therefore on its timely filed U.S. federal income tax return for the taxable year in which it acquires the MPCD.

The comparable yield and projected payment schedule are provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by the holders of MPCDs solely for U.S. federal income tax purposes and do not constitute assurances by us as to the actual yield of MPCDs. We make no representation as to what such actual amounts will be, and the comparable yield and the projected payment schedule do not necessarily reflect our expectations regarding the actual yield of MPCDs.

Taxation of the Maturity Redemption Amount. If the actual Redemption Amount is greater than the payment projected in the projected payment schedule as the final payment, the excess will be a “positive adjustment,” which is treated as additional OID income. If the actual Redemption Amount is less than the payment projected in the projected payment schedule as the final payment, the deficiency will be a “negative adjustment.” The negative adjustment will be applied first to reduce the OID accrued for the year in which the Redemption Amount is paid and any remainder of such negative adjustment will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder in respect of the MPCD, not subject to limitations on the deductibility of miscellaneous deductions. Any remaining negative adjustment will reduce the U.S. Holder’s amount realized on the retirement of the MPCD.

Notwithstanding the foregoing, special rules will apply if the Redemption Amount on an MPCD becomes fixed more than six months prior to its scheduled date of payment. Generally, in such a case, a U.S. Holder would be required to account for the difference between the present value of the fixed payment and the present value of the projected payment as either a positive adjustment or a negative adjustment (i.e., either as additional OID or as an offset to future OID or as an ordinary loss, as appropriate) on the date the payment becomes fixed. U.S. Holders should consult their own tax advisors concerning these special rules.

Sale, Exchange or Disposition of MPCDs. A U.S. Holder of MPCDs will recognize gain or loss on the taxable sale, exchange, or other disposition of MPCDs, to the extent that the amount realized is more or less than its adjusted purchase price. In general, any gain realized by a U.S. Holder on the taxable sale, exchange, or other disposition of MPCDs will be treated as ordinary interest income. Any loss recognized on the taxable sale, exchange, or other disposition of MPCDs will generally be treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the MPCD, which would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Additional Medicare Tax. Additionally, a U.S. 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 U.S. Holder’s “net investment income” for the relevant taxable year and (2) the excess of the U.S. Holder’s modified 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). Net investment income generally includes passive income such as interest and capital gains. Holders are urged to consult their tax

advisors regarding the applicability of the Medicare tax to their income and gains in respect of their ownership of the MPCDs.

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of MPCDs. In general, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any interest income from MPCDs so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States. Additionally, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any gain on the sale, early withdrawal, maturity, exchange or other disposition of MPCDs so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and the Non-U.S. Holder is not an individual present in the United States for 183 days or more in the taxable year in which the gain is recognized.

However, a “dividend equivalent” payment is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30% (or a lower rate under an applicable treaty) U.S. withholding tax if paid to a Non-U.S. Holder. Under proposed U.S. Treasury Department regulations, payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments, whether explicitly stated or implicitly taken into account in computing one or more of the terms of such instrument, may be treated as dividend equivalents. If enacted in their current form, the regulations will impose a withholding tax on payments made on the CDs on or after January 1, 2016 that are treated as dividend equivalents. However, the Treasury Department and Internal Revenue Service have announced that they intend to limit this withholding to equity-linked instruments issued on or after the date that is 90 days after the date of publication in the Federal Register of final regulations addressing dividend equivalent withholding. If any payments are treated as dividend equivalents subject to withholding, the Bank would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders. MPCDs held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his or her death will not be subject to U.S. federal estate tax, provided that the individual would not be subject to any U.S. federal income or withholding tax with respect to income or gain on MPCDs.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each holder of MPCDs, and “backup withholding” with respect to certain payments made on or with respect to MPCDs. Information reporting and backup withholding generally will not apply to U.S. Holders that are corporations or certain other “exempt recipients” if the U.S. Holder provides us with a properly completed IRS Form W-9, and will not apply to a Non-U.S. Holder if the Non-U.S. Holder provides us with a properly completed Form W-8BEN. Interest paid to a Non-U.S. Holder who is an individual may be reported on IRS Form 1042-S that is filed with the IRS and sent to the Non-U.S. Holder.

Backup withholding is not an additional tax and may be refunded (or credited against a depositor’s U.S. federal income tax liability, if any) if certain required information is furnished.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) will impose a 30% U.S. withholding tax on certain U.S. source payments, including interest (and OID), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S. source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the Treasury Department to collect and provide to the Treasury Department certain information regarding U.S. financial account holders, including certain account holders that are foreign entities with U.S. owners, with such institution, or otherwise complies with FATCA. FATCA also generally imposes a withholding tax of 30% on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

These withholding and reporting requirements will generally apply to U.S. source periodic payments made after June 30, 2014 and to payments of gross proceeds from a sale or redemption made after December 31, 2016. If we determine withholding is appropriate with respect to MPCDs, we will withhold tax at the applicable statutory rate, and we will not pay any additional amounts in respect of such withholding. However, the withholding tax will not be imposed on payments pursuant to obligations outstanding as of July 1, 2014. Prospective depositors are urged to consult with their own tax advisors regarding the possible implications of FATCA on their purchase and ownership of the MPCDs.

The preceding discussion is only a summary of certain of the tax implications of purchasing the CDs. Prospective depositors are urged to consult with their own tax advisors prior to purchasing to determine the tax implications of a purchase in light of that depositor’s particular circumstances.

DATED: March 1, 2011

HSBC BANK USA, NATIONAL ASSOCIATION
452 FIFTH AVENUE
NEW YORK, NY 10018

HSBC Certificates of Deposit Base Disclosure Statement

HSBC Bank USA, National Association (the "Bank") may from time to time offer market-linked certificates of deposit as described herein ("CDs"). This Base Disclosure Statement sets forth certain terms and conditions that will apply generally to such market-linked CDs. The specific terms and conditions relating to any particular CD offering will be described in greater detail in the terms and conditions (the "Terms and Conditions") related to such offering. In the event of any inconsistency between this Base Disclosure Statement and the Terms and Conditions applicable to a specific offering of CDs, the Terms and Conditions will govern with respect to such CD offering. As used herein, references to the "Issuer", "we", "us" and "our" are to the Bank, and references to "you" and "your" are to the depositors of the CDs.

Purchase of the CDs involves risks. See the section entitled "Risk Factors" herein and in the applicable Terms and Conditions.

The CDs will be obligations of the Bank only, and not obligations of your broker or any agent or affiliate of the Bank, including without limitation, HSBC Securities (USA) Inc., HSBC USA Inc. and HSBC Holdings plc.

The principal amount of the CDs is insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits and to the extent described in the section entitled "FDIC Insurance" in this Base Disclosure Statement. A depositor purchasing a principal amount of CDs that is in excess of the applicable statutory insurance limit or which, together with other deposits that such depositor maintains at the Bank, in the same ownership capacity, is in excess of such limits will not have the benefit of deposit insurance with respect to such excess. In addition, the FDIC has taken the position that amounts in excess of the principal amount due at maturity, payable in the form of a Variable Amount (as defined herein), if any, based upon changes in a Reference Asset (as defined herein) are not insured by the FDIC until finally determined and payable (as described herein). In addition, any secondary market premium paid by a depositor above the principal amount of the CDs is not insured by the FDIC.

The CDs may be made available through an affiliate of the Bank, HSBC Securities (USA) Inc., and/or certain other unaffiliated distributors of the CDs (the "Agents").



AVAILABLE INFORMATION

The Bank submits to the FDIC certain reports entitled "Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices" (each, a "Call Report" and collectively, the "Call Reports"). Each Call Report consists of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which the Call Report relates. The Bank's Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents and do not provide a complete range of financial disclosure about the Bank, the Call Reports nevertheless provide important information concerning the Bank's financial condition. The publicly available portions of the Bank's Call Reports and any amendments thereto are incorporated herein by reference. The publicly available portions of the Bank's Call Reports are on file with, and publicly available at, the FDIC, 550 17th Street, N.W., Washington, D.C. 20429. The FDIC also maintains a website at <http://www.fdic.gov> that contains the publicly available portions of the Bank's Call Reports.

The Bank is a direct wholly owned subsidiary of HSBC USA Inc. ("HSBC USA"), a Maryland corporation and a registered bank holding company. HSBC USA is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). All such reports and other information may be inspected and copied at the Commission's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission also maintains a website at <http://www.sec.gov> that contains reports and other information regarding registrants that file electronically with the Commission, including HSBC USA. HSBC USA also maintains a website at <http://www.us.hsbc.com> where information about HSBC USA and the Bank can be obtained. The information included on or linked from the website of HSBC USA has not been incorporated by reference into this Base Disclosure Statement, and you should not consider it to be part of this Base Disclosure Statement.

HSBC USA's Annual Report on Form 10-K for the year ended December 31, 2010, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K are incorporated by reference in this Base Disclosure Statement and made a part hereof. Each document or report filed by HSBC USA with the Commission pursuant to Section 13 or 15(d) of the Exchange Act subsequent to the date of this Base Disclosure Statement and prior to the termination of the offering of CDs is incorporated herein by reference. The CDs are not obligations of HSBC USA or any other affiliate or agent of the Bank.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Base Disclosure Statement to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Disclosure Statement.

Each person to whom a copy of this Base Disclosure Statement is delivered may request a copy of any or all of the documents incorporated by reference herein, at no cost, by writing at the following address:

HSBC Bank USA, National Association
Legal Department
Attn: Frank Weigand
452 Fifth Avenue, Tower 7
New York, NY 10018

HSBC BANK USA, NATIONAL ASSOCIATION AND HSBC USA INC.

HSBC Bank USA, National Association

The Bank is chartered as a national banking association under the laws of the United States and, as such, is regulated primarily by the Office of the Comptroller of the Currency. The CDs are deposits of the Bank and are insured by the FDIC as and to the extent described herein and in the related Terms and Conditions.

The Bank's domestic operations are primarily in New York State. The Bank also has banking branch offices and/or representative offices in California, Connecticut, Delaware, Florida, Illinois, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Texas, Virginia, Washington and the District of Columbia. In addition to its domestic offices, the Bank maintains foreign branch offices, including subsidiaries and/or representative offices in the Caribbean, Canada, Europe Latin America and Asia.

As of December 31, 2010, the Bank represented approximately 98.5% of the consolidated assets of HSBC USA and had total assets of approximately \$181 billion. The Bank had outstanding approximately \$164 billion of total liabilities, including deposits totalling approximately \$129 billion and approximately \$9 billion of long-term debt. The Bank's principal offices are located in McLean, Virginia, and the telephone number at these offices is (703) 883-8029.

HSBC USA Inc.

HSBC USA, incorporated under the laws of Maryland, is a New York State based bank holding company registered under the Bank Holding Company Act of 1956, as amended. HSBC USA's origin was in Buffalo, New York in 1850 as The Marine Trust Company, which later became Marine Midland Banks, Inc. ("Marine"). The Hongkong and Shanghai Banking Corporation acquired 51% of the common stock of Marine in 1980 and the remaining 49% of its common stock in 1987. The HSBC Group, which consists of HSBC USA and its affiliates organized under HSBC Holdings plc as the parent holding company, is one of the largest banking and financial services organizations in the world.

The principal offices of HSBC USA are located at 452 Fifth Avenue, New York, New York, 10018, and the telephone number at these offices is (212) 525-5000. As of December 31, 2010, HSBC USA had assets of approximately \$184 billion and approximately 12,000 full and part time employees. HSBC USA currently is among the 10 largest U.S. bank holding companies ranked by assets.

The CDs are solely obligations of the Bank and are neither obligations of, nor guaranteed by, HSBC USA or HSBC Holdings plc.

DESCRIPTION OF THE CDS

Payment at Maturity

At maturity, the CDs will pay the principal amount plus an interest payment, if any, which, as will be described in the applicable Terms and Conditions, will be linked to (i) the price of a single-name specified equity security or the prices of multiple specified single-name equity securities (each, an “Equity Share” and collectively, “Equity Shares”), (ii) the price of shares of an exchange-traded fund (each, a “Fund” and collectively, “Funds”) or the prices of multiple Funds (each, a “Fund Share” and collectively, “Fund Shares”); both Equity Shares and Fund Shares may be referred to herein as “Shares”), (iii) the price of a commodity or the prices of multiple commodities (each, a “Commodity” and collectively, “Commodities”), (iv) the differential or differentials between various currencies (each, a “Currency” and collectively, “Currencies”) or interest rates (each, a “Rate” and collectively, “Rates”), (v) the level or levels of an index or indices based on the prices of (A) Shares, (B) Commodities, or (C) Currencies, or futures or options thereon (each, an “Index” and collectively, “Indices”) or (vi) any other measure of economic or financial performance over the term of the CDs (determined as described in the applicable Terms and Conditions, and each such measure of economic or financial performance, Share, Index, Currency or Rate, or any basket thereof, a “Reference Asset”). The Bank will be obligated to repay the principal amount of the CDs at maturity regardless of any changes in a relevant Reference Asset. The Terms and Conditions will also set out the terms by which interest (known herein as the “Variable Amount”) will be calculated and paid. Such interest may be payable on a periodic basis or at maturity. Any Variable Amount (which may, depending on the performance of the relevant Reference Asset, equal zero) will be due and payable as described in the applicable Terms and Conditions. Information relating to any relevant market measure, the calculation of any Variable Amount and other information relevant to a specific offering of CDs, including any tax considerations not otherwise described herein or risk factors not otherwise described herein, will be set forth in the applicable Terms and Conditions.

Unless otherwise provided in the applicable Terms and Conditions for a particular CD, no interest or other sum, periodic or otherwise, shall be payable on the CDs other than Variable Amounts, if any. In addition, as discussed further below, a CD may be callable by the Bank prior to its stated maturity date.

CDs Compared to Other Investments

Prospective depositors should compare the features of the CDs to other available investments before deciding to purchase a CD. Due to the uncertainty as to whether the CDs will pay any Variable Amount or whether CDs that are callable by the Bank will be called prior to their stated maturity date, the returns on the CDs may be higher or lower than the returns available on other deposits available at the Bank or other banks, or through other investments. It is suggested that you reach a decision to purchase CDs only after carefully considering the suitability of a deposit in the CDs in light of your particular circumstances.

Information with Respect to Certain Reference Assets

Each potential depositor of a CD should review publicly available information in respect of each Reference Asset and any of the constituent components of such Reference Asset to which payment of Variable Amounts, if any, will be linked. For example, with respect to Equity Shares and Indices, reports and other information may have been filed with the Commission, or may be posted on a website or otherwise made publicly available by the sponsors of the Indices (the “Reference Index Sponsors”) and the issuers of the Equity Shares (the “Reference Issuers”). The sponsors of the Fund Shares (the “Reference Fund Sponsors”) may post information on a website or otherwise make publically available information about the Fund Share. The Reference Index Sponsors, the Reference Fund Sponsors, and the Reference Issuers are hereinafter referred to collectively as the “Reference Firms”. Depositors are hereby informed that the reports and other information on file with the Commission, posted on a website or that is otherwise publicly available to which depositors are referred are not and will not be “incorporated by reference” herein or in the Terms and Conditions. Neither the Bank nor any of its affiliates will undertake to review the financial condition or affairs of the Reference Firms during the life of the CDs, nor to review the calculation methodology, publication procedures or any other aspect of the Reference Index Sponsors’ actions with respect to any Index, nor to advise any depositor or potential depositor in the CDs of any information about the Reference Firms coming to the attention of the Bank or any affiliate thereof.

Minimum Denominations

Unless otherwise provided in the related Terms and Conditions, each CD will be issued in denominations of \$1,000 principal amount, with a minimum deposit amount per depositor of \$1,000, or such greater minimum deposit amount as may be required by the Agent offering that CD, and in integral multiples of \$1,000 principal amount in excess thereof.

Early Redemptions

Depositor Redemption. It is unlikely that a secondary market for the CDs will develop. However, although not obligated to do so, and subject to regulatory constraints, the Bank or an affiliate of the Bank may be willing to repurchase or purchase the CDs from depositors at any time for so long as the CDs are outstanding. The redemption proceeds a depositor would receive in the event that he or she were able to redeem the CDs early will equal the then-current market value of the CDs, as determined by the Calculation Agent (as defined below) in good faith, based on its financial models and objective market factors, less any applicable early redemption charge as set forth in the applicable Terms and Conditions. You should not purchase CDs based on an expectation that a secondary market for the CDs will exist or that the Bank or an affiliate of the Bank will be willing to repurchase or purchase the CD and therefore you should be willing to hold your CDs until maturity.

Redemption upon the Death or Adjudication of Incompetence of a Depositor. Unless otherwise provided in the applicable Terms and Conditions, in the event of the death or adjudication of incompetence of any depositor of a CD, the Bank will allow a full withdrawal of the principal amount of the CDs of that depositor. In that event: (a) prior written notice of the proposed withdrawal must be given to the depositor's Agent and the Bank, together with appropriate documentation to support the request, each within 180 days of the death or adjudication of incompetence of such depositor; and (b) only a full withdrawal of the principal amount of those CDs will be permitted. The CDs so redeemed will not be entitled to any future Variable Amounts, interest, or other similar amount not yet due and payable as of the date of our receipt of such written notice in respect of such redemption.

Any redemption requests made in accordance with the sections above entitled "Depositor Redemption" or "Redemption upon the Death or Adjudication of Incompetence of a Depositor" shall be made by the depositors through their brokers.

Bank Redemption. If so provided in the applicable Terms and Conditions, the Bank may be entitled to redeem (i.e., "call") the CDs prior to the stated maturity date. The Bank will be entitled to effect such redemption upon such notice, on such date or dates, upon such conditions and for payment of such early redemption price as may be described in the applicable Terms and Conditions.

Redemption for Extraordinary Event. Unless otherwise provided in the applicable Terms and Conditions, if the Calculation Agent determines in good faith that the Bank or an affiliate of the Bank would incur an increased amount of tax, duty, expense, cost or fee (other than brokerage commissions) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) deemed necessary to Hedge (as defined below) the market risk of entering into and performing its obligations under the CDs, then the Bank may redeem the CDs in whole, but not in part on the date indicated in the DTC Notice (as defined below). In such an event, the depositor will receive the greater of: (a) the then-current market value of the CDs, as determined by the Calculation Agent in good faith, based on its financial models and objective market factors and (b) the principal amount of the CDs. The CDs so redeemed will not be entitled to any future Variable Amounts, interest or other similar amounts in respect of the CDs not yet due and payable as of the date specified in the DTC Notice. The Calculation Agent will notify The Depository Trust Company ("DTC") of any redemption of the CDs under this provision (such notification, the "DTC Notice"). The Calculation Agent shall have no independent obligation to notify depositors directly. Depositors should expect to receive such notifications from their broker.

Redemption in Respect of Merger, Tender Offer, Nationalization, Delisting, Insolvency or Fund Share Alteration Events. Under certain circumstances involving the Shares, the CDs may be subject to early redemption, as described in more detail in the sections below entitled "Potential Adjustment Events" below.

Market Disruption Events

With respect to any Reference Asset or any component thereof, unless otherwise provided in the applicable Terms and Conditions, if the date on which the value thereof would otherwise be scheduled to be determined for purposes of calculating a Variable Amount or any other purpose (any such date an "Observation Date") is not a Scheduled Trading Day (as defined herein), then the Observation Date will be the next day that is a Scheduled Trading Day. Unless otherwise provided in the applicable Terms and Conditions, if a Market Disruption Event (as defined herein) occurs with respect to a Reference Asset or a component thereof on an Observation Date, then the Observation Date for such Reference Asset or such component thereof shall be the first succeeding Scheduled Trading Day on which

there is no Market Disruption Event with respect to such Reference Asset or such component thereof. If the Observation Date is postponed on each of five consecutive Scheduled Trading Days immediately following the original date that, but for the occurrence of the Market Disruption Event, would have been the Observation Date, then that fifth Scheduled Trading Day shall be the Observation Date, and the Calculation Agent shall determine the value of any such Reference Asset or component thereof on that date in good faith and in its sole discretion. For the avoidance of doubt, with respect to a Reference Asset comprised of a basket of components, if no Market Disruption Event exists with respect to a basket component on the originally scheduled Observation Date, the determination of such basket component's value will be made on the originally scheduled Observation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other basket components. If the final Observation Date for any basket component is postponed, then the maturity date will also be postponed until the third business day following the latest postponed final Observation Date. No interest or other sum shall accrue to the depositors in the event that a payment is postponed pursuant to the foregoing.

'Market Disruption Event' means for purposes hereof:

- (a) with respect to an Index and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any suspension of or limitation imposed on trading by any Relevant Exchanges or any Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or any Related Exchange or otherwise, (A) relating to any stock included in the Index then constituting 20% or more of the level of the Index or any Successor Index or (B) in any futures or options contracts relating to an Index or Successor Index, as the case may be, on any Related Exchange; (ii) any event (other than any event described in (iii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, any stock included in the level of the Index or any Successor Index or (B) to effect transactions in, or obtain market values for, any futures or options contracts relating to such Index or any Successor Index, as the case may be, on any relevant Related Exchange; (iii) the closure on any Scheduled Trading Day of any Relevant Exchanges or any Related Exchange relating to any stock included in the Index then constituting 20% or more of the level of the Index or any Successor Index prior to its Scheduled Closing Time (unless the earlier closing time is announced by the Relevant Exchange or Related Exchange at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such exchange; or (B) the submission deadline for orders to be entered on the Relevant Exchange or Related Exchange for execution at the Scheduled Closing Time on that Scheduled Trading Day); or (iv) the Relevant Exchange or Related Exchange for such Index or Successor Index fails to open for trading during its regular trading session;
- (b) with respect to a Share or a Commodity, and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any suspension of or limitation imposed on trading by the Relevant Exchange or any Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or any Related Exchanges or otherwise, (A) relating to the Reference Asset or (B) in any futures or options contracts relating to the Reference Asset; (ii) any event (other than an event described in (iii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Reference Asset or (B) to effect transactions in, or obtain market values for, any futures or options contracts relating to the Reference Asset; (iii) the closure on any Scheduled Trading Day of the Relevant Exchange relating to the Reference Asset or any Related Exchange prior to its Scheduled Closing Time (as defined below) unless such earlier closing time is announced by the Relevant Exchange or such Related Exchange at least one hour prior to the actual closing time for the regular trading session on the Relevant Exchange or such Related Exchange on such Scheduled Trading Day; or (iv) the Relevant Exchange or Related Exchange for the Reference Asset fails to open for trading during its regular trading session;
- (c) with respect to a Currency, and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any disruption or suspension of trading in the markets (A) relating to the Currency or (B) in any futures or options contracts relating to the Currency; (ii) general inconvertibility or non-transferability of a Currency; or (iii) any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Currency or (B) to effect transactions in, or obtain market values for, any futures or options contracts relating to the Currency; and
- (d) with respect to a Rate, and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any disruption or suspension of trading in the markets (A) relating to the Rate or (B) in any futures or options contracts relating to the Rate; or (ii) the fixing of the Rate is unavailable as of the date and time set for fixing of such Rate.

“Relevant Exchange” means with respect to any Index, the primary exchanges for each share, futures contract, or other financial instrument or measure which is then a component of such Index and, with respect to any Share or Commodity, the primary exchange for such Share or Commodity.

“Related Exchange” means with respect to any Index, Share, or Commodity, each exchange or quotation system, if any, on which options or futures contracts related to the relevant Reference Asset, as the case may be, are traded or quoted, or any successor or temporary substitute for such exchange or quotation system (provided we have determined, for a substitute exchange or quotation system, that liquidity on such substitute is comparable to liquidity on the original Related Exchange) and where trading has a material effect (as determined by the Calculation Agent) on the overall market for options or futures contracts related to the relevant Reference Asset.

“Scheduled Closing Time” means the scheduled weekday closing time of the Relevant Exchange or Related Exchange, as the case may be, on any Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Trading Day” means (a) with respect to a Share or Commodity, any day on which the Relevant Exchange and each Related Exchange are scheduled to be open for trading for such Share or Commodity and (b) with respect to an Index, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for their respective regular sessions.

The Calculation Agent will notify DTC of the existence of a Market Disruption Event on any day that but for the occurrence or existence of a Market Disruption Event would have been an Observation Date.

Discontinuance or Modification of an Index

If a Reference Index Sponsor discontinues publication of or otherwise fails to publish an Index on any day on which such Index is scheduled to be published and the Reference Index Sponsor or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to herein as a “Successor Index”), then such Successor Index will be deemed to be the Index for all purposes relating to the CD.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the Bank and to DTC. If a Successor Index is selected by the Calculation Agent, the Successor Index will be used as a substitute for the Index for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If an Index is discontinued or if a Reference Index Sponsor fails to publish the Index and the Calculation Agent determines that no Successor Index is available at such time, then the Calculation Agent will determine the level of such Index that is to be used for such trading day using the same general methodology previously used by the Reference Index Sponsor. The Calculation Agent shall continue to make such a determination until the earlier of (i) the final Observation Date or (ii) a determination by the Calculation Agent that the Index or a Successor Index is available. In such case, the Calculation Agent will notify DTC of its determination of the index level or availability of a Successor Index, as appropriate.

If at any time the method of calculating any Index or a Successor Index, or the level thereof, is changed in a material respect, or if any Index or a Successor Index is in any other way modified so that, in the determination of the Calculation Agent, the level of such index does not fairly represent the level of such Index or such Successor Index that would have prevailed had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as may be necessary in order to determine an Index level comparable to the level that would have prevailed had such changes or modifications not been made. If, for example, the method of calculating the Index or a Successor Index is modified so that the level of such index is a fraction of what it would have been if it had not been modified (e.g., due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a level of the Index or such Successor Index as if it had not been modified (e.g., as if such split had not occurred). In such case, the Calculation Agent will notify DTC of its determination of the index level or availability of a Successor Index, as appropriate.

Notwithstanding these alternative arrangements, discontinuance of the publication of any Index to which a CD is linked may adversely affect the value of the CDs.

Potential Adjustment Events

If any Potential Adjustment Event described below occurs, the Calculation Agent will determine whether such an event requires an adjustment and, if so, will make certain calculations and adjustments to the terms of the CDs, as further described below, subject to the right to redeem securities as described herein under “Early Redemption” - “Redemption for Extraordinary Event”. The Calculation Agent in some instances may, in its sole discretion, accelerate the stated maturity date of the CDs. In such an event, the Bank will pay an amount in respect of the CDs, which shall not be less than the principal amount of the CDs (as further described below). The Calculation Agent will notify DTC of any adjustments to the terms of the CDs or an acceleration of the stated maturity date of the CDs. The Calculation Agent shall have no independent obligation to notify depositors directly. Depositors should expect to receive any such notifications from their broker.

Any of the following events shall constitute a Potential Adjustment Event:

1 Merger Event and Tender Offer.

Note: In connection with certain Merger Events or Tender Offers, a holder of Shares may be offered a choice to receive different types or combinations of types of property in exchange for Shares. In such a case, for purposes of this section, such Merger or Tender Offer shall be categorized by referring to the types and amounts of each type of property that would be distributed by default to a holder of Shares who makes no affirmative election.

Exchange for Marketable Securities

If a Merger Event or Tender Offer (each as defined below) occurs and the applicable Shares are exchanged solely for new shares that are publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Relevant Exchange for the Shares and not subject to any currency exchange controls, trading restrictions or other trading limitations (such shares, the “Marketable Securities”), then the Calculation Agent will adjust such terms and conditions of the CDs as the Calculation Agent determines appropriate to account for the exchange ratio applicable to the exchange of the Shares for Marketable Securities and such Marketable Securities shall be deemed Shares for purposes of the applicable CDs.

Exchange for a Combination of Marketable Securities and Cash

If a Merger Event or Tender Offer (each as defined below) occurs and the applicable Shares are exchanged solely for a combination of cash and Marketable Securities, then the Calculation Agent may adjust such terms and conditions of the CDs as the Calculation Agent determines appropriate to account for the exchange ratio applicable to the exchange of the Shares for Marketable Securities and such Marketable Securities shall be deemed Shares for purposes of the applicable CDs. For purposes of determining the number of Marketable Securities that replaces one Share, the cash portion of property distributed pursuant to the applicable Merger or Tender Offer shall be converted to Marketable Securities by the Calculation Agent in a commercially reasonable manner.

Exchange for Cash

If a Merger Event or Tender Offer (each as defined below) occurs and the Shares are exchanged solely for cash, then the Calculation Agent shall make such adjustments to the terms of the CDs as the Calculation Agent, in its sole discretion, determines appropriate to account for the economic effect on the CDs of the applicable Merger Event or Tender Offer, including, but not limited to, either of the following:

- (A) utilizing the cash amount distributed with respect to each Share as the price of the Share for purposes of determining Variable Amounts calculated on or following the Approval Date (as defined below) until the stated maturity date of the CDs, and
- (B) substituting for each Share a number of Replacement Securities (as defined below) with a value equivalent to the cash amount distributed with respect to each Share, as determined on the Approval Date by the Calculation Agent in its sole discretion and in a commercially reasonable manner. For purposes hereof, “Replacement Security” means a security, selected by the Calculation Agent in its sole discretion and commercially reasonable manner, that (a) is publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Relevant Exchange for the Shares, (b) is not subject to any currency exchange controls, trading

restrictions or other trading limitations, and (c) has been issued by an issuer with characteristics that are generally similar to those of the issuer of the Shares, including, but not limited to, market capitalization, dividend yield, volatility and industry classification.

Exchange for Other Types of Property

If a Merger Event or Tender Offer occurs and any distribution of property is made on the Shares and such property does not consist solely of Marketable Securities and/or cash, then the Calculation Agent shall make such adjustments to the terms of the CDs as the Calculation Agent, in its sole discretion, determines appropriate to account for the economic effect on the CDs of the applicable Merger Event or Tender Offer.

The "Approval Date" is the closing date of a Merger Event or, in the case of a Tender Offer, the date on which the person or entity making the Tender Offer acquires, or acquires the right to obtain the relevant percentage of the voting shares of the Reference Issuer or Reference Fund Sponsor, as applicable, or if such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day.

A "Merger Event" shall mean, in respect of any Share, any (i) reclassification or change of such Share that results in a transfer of or an irrevocable commitment to transfer all shares of the relevant Shares outstanding, (ii) consolidation, amalgamation or merger of the relevant Reference Issuer or Reference Fund Sponsor, as applicable, with or into another entity (other than a consolidation, amalgamation or merger of the relevant Reference Issuer or Reference Fund Sponsor, as applicable, with or into another entity and which does not result in any such reclassification or change of all of such shares of the relevant Shares outstanding), (iii) a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding shares of the relevant Reference Issuer or Reference Fund Sponsor, as applicable, that results in a transfer of or an irrevocable commitment to transfer all such shares (other than such shares owned or controlled by the offeror), or (iv) consolidation, amalgamation, merger or binding share exchange of the Reference Issuer or Reference Fund Sponsor, as applicable, or its subsidiaries with or into another entity in which the Reference Issuer or Reference Fund Sponsor, as applicable, is the continuing entity and which does not result in a reclassification or change of the Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the merger date is on or before an Observation Date.

A "Tender Offer" shall mean, in respect of any Share, any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, not less than 10% of the outstanding voting shares of the Reference Issuer as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

Notwithstanding these alternative arrangements, a Merger Event or Tender Offer may affect Shares to which a CD is linked in a manner that adversely affects the value of the CDs.

2 Share Delisting, Nationalization, Insolvency

If a Nationalization, Insolvency or Share Delisting (each as defined below) occurs, the Calculation Agent shall, in its sole discretion, determine in a commercially reasonable manner the value of the Shares impacted by such event following the Announcement Date (as defined below). Such value shall be deemed to be the price of the Shares for purposes of determining the Variable Amount on each Observation Date on or following the Announcement Date until the stated maturity date of the CDs.

The "Announcement Date" means (i) in the case of a Nationalization, the day of the first public announcement by the relevant government authority that all or substantially all of the assets of the Reference Issuer or Reference Fund Sponsor, as applicable, are to be nationalized, expropriated or otherwise transferred to any governmental agency, authority or entity, (ii) in the case of a Share Delisting, the day of the first public announcement by the Relevant Exchange that the Shares will cease to trade or be publicly quoted on such Relevant Exchange, or (iii) in the case of an Insolvency, the day of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to an Insolvency with respect to the Reference Issuer or Reference Fund Sponsor, as applicable.

A "Share Delisting" shall be deemed to have occurred if, at any time during the period from and including the issuance date to and including any Observation Date, a Share ceases to be listed on the Relevant Exchange for any reason and is not immediately re-listed on a successor exchange which is another well recognized exchange in the same jurisdiction of the Relevant Exchange for such Share

(a “Successor Exchange”). If the Share is immediately re-listed on a Successor Exchange, then the Share shall continue to be deemed to be the Share.

A “Nationalization” shall be deemed to have occurred if, at any time during the period from and including the issuance date to and including any Observation Date, all or substantially all of the assets of a Reference Issuer or a Reference Fund Sponsor, as applicable, are nationalized, expropriated, or are otherwise required to be transferred to any governmental agency, authority or entity.

An “Insolvency” shall be deemed to have occurred if, at any time during the period from and including the issuance date to and including any Observation Date, by reason of voluntary or involuntary liquidation, bankruptcy or insolvency or any analogous proceeding involving the Reference Issuer or Reference Fund Sponsor, as applicable, (i) any of the Shares are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of any of the Shares become legally prohibited from transferring the Shares.

Notwithstanding these alternative arrangements, a Share Delisting, Nationalization or Insolvency may affect Shares to which a CD is linked in a manner that adversely affects the value of the CDs.

3 Share Value Modification Events

Following the declaration by any Reference Firm of the terms of any Share Value Modification Event (as defined below), the Calculation Agent will determine whether such a Share Value Modification Event has a material diluting or concentrative effect on the theoretical value of the relevant Share and, if so, will make such calculations and adjustments to the terms of the CD as, in the good faith judgment of the Calculation Agent, may be necessary in order to account for the economic effect of such event.

For purposes hereof, “Share Value Modification Event” means the occurrence of any of the following after the issuance date of the CDs:

- (i) A subdivision, consolidation or reclassification of any Share (other than a Merger Event), or, a free distribution or dividend of any such Share to existing holders by way of bonus, capitalization or similar issue;
- (ii) A distribution or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Reference Issuer equally or proportionately with such payments to holders of such Shares, or (C) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) An extraordinary dividend;
- (iv) A call by the relevant Reference Firm in respect of the relevant Shares that are not fully paid;
- (v) A repurchase by the relevant Reference Firm of the relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) Any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

Notwithstanding these alternative arrangements, a Share Value Modification Event may affect Shares to which a CD is linked in a manner that adversely affects the value of the CDs.

4 Fund Share Alteration Events

If a Fund Share Alteration Event (as defined below) occurs, the Calculation Agent may, in its sole discretion, accelerate the stated maturity date to the day which is ten (10) business days after the Event Date (as defined below). On such accelerated maturity date, a depositor will receive the greater of: (a) the then-current market value of the CDs, as determined by the Calculation Agent in good faith, based on its financial models and objective market factors and (b) the principal amount of the CDs. The CDs so accelerated will not be entitled to any future Variable Amounts, interest, or any other similar amounts in respect of the CDs not yet due and payable.

The “Event Date” means the earlier of (i) the day of the first public announcement of the occurrence of a Fund Share Alteration Event, or (ii) the day the Calculation Agent determines, in its sole discretion, to be the effective date on which the Fund Share Alteration Event has occurred.

A “Fund Share Alteration Event” shall mean, with respect to any Fund or related Fund Shares, (i) the resignation, termination, change in control or replacement of the investment adviser to the Fund, (ii) any change or modification of the mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report, or material change in any other rule, law, regulation, similar guideline, constitutional document, report or other document governing the

investment by the Fund of its assets that could reasonably be expected to affect the value of the Fund Share or the rights or remedies of holders thereof (in each case, as determined by the Calculation Agent) from those prevailing on the issuance date of the related CDs, (iii) any breach or violation of any strategy or investment guidelines stated in its mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report or other document governing the investment by the Fund of its assets that could reasonably be expected to affect the value of the Fund Shares or the rights or remedies of holders thereof (in each case, as determined by the Calculation Agent), (iv) the Fund or the investment adviser to the Fund ceases to exist, (v) the Fund Shares are reclassified or the underlying index that the Fund tracks changes (or, where the Fund does not track an underlying index, there is a material change (as determined by the Calculation Agent) in the composition of the shares that comprise the Fund) or the Fund is acquired by or aggregated to another fund, whose mandate, risk-profile and/or benchmark is deemed by the Calculation Agent to be different from the mandate, risk-profile and/or benchmark in effect on the issuance date of the related CDs (or any proposal for the foregoing occurs), (vi) (a) any cancellation, suspension or revocation of the registration or approval of the Fund Shares, the Fund or the investment adviser of the Fund by any governmental, legal or regulatory entity with authority over such Fund Shares, Fund or its investment adviser, (b) any change in the legal, tax, accounting, or regulatory treatments of the Fund or the investment adviser of the Fund that is reasonably likely to have an adverse impact on the value of such Fund Shares or any investors therein, or (c) the Fund, the investment adviser of the Fund or any of the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for the Fund (the "Fund Administrator") becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of the Fund, the investment adviser of the Fund or the Fund Administrator, or (vii) the Fund Administrator and/or the investment adviser of the Fund are affected by bankruptcy, insolvency, dissolution, or winding up proceedings.

Notwithstanding these alternative arrangements, a Fund Share Alteration Event may affect Fund Shares to which a CD is linked in a manner that adversely affects the value of the CDs.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

Unless otherwise indicated in the applicable Terms and Conditions, the Calculation Agent for the CDs will be the Bank or an affiliate of the Bank. All determinations made by the Calculation Agent will be in its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and be binding on the depositors of the CDs. In the event that the Calculation Agent is the Bank or an affiliate of the Bank, potential conflicts of interest may exist between the Calculation Agent and the depositors owning the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in arriving at amounts due to depositors in respect of the CDs. The Calculation Agent will carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with the Bank or any depositors in respect of CDs. The Calculation Agent may resign at any time upon written notice to the Bank, and the Bank may remove the Calculation Agent at any time upon written notice to the Calculation Agent. Neither resignation nor removal of the Calculation Agent will take effect until a successor Calculation Agent has been appointed.

RISK FACTORS

You will be subject to certain significant risks not associated with conventional fixed-rate or floating-rate CDs or debt securities. Prospective depositors should also understand that an investment in the CDs is not equivalent to investing directly in the Reference Asset (or the components of any Reference Asset, if applicable). Prospective depositors of the CDs should understand the risks of purchasing the CDs and should reach their own decision to purchase CDs, only after careful consideration, with their advisors, of the suitability of the CDs in light of their particular financial circumstances, the following risk factors and the other information included or incorporated by reference in this Base Disclosure Statement and in the applicable Terms and Conditions. Please note that this Risk Factors section has various subcomponents addressing certain additional risk factors relating to specific categories of Reference Assets. For example, certain additional risk factors relating to Reference Assets comprised of one or more equity securities can be found in the section “—Additional Risks Relating to CDs with a Reference Asset that is an Equity Share, Equity Index or Fund Share or Fund Index with Underlying Equity Instruments.” We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payments made on, the CDs. You should not purchase the CDs unless you understand and can bear these risks.

RISKS RELATING TO ALL CD ISSUANCES

Depositors holding to maturity may not receive any amounts in excess of the principal amount of their CDs

At maturity, unless depositors are guaranteed a minimum return under the applicable Terms and Conditions, there can be no assurance of the receipt of any amount in excess of the principal amount of the CDs. Any Variable Amount is based on changes in the value of the instruments comprising the Reference Asset, which fluctuate and cannot be predicted. Although historical data with respect to the Reference Asset are available, the historical performance of the Reference Asset or any of the instruments comprising the Reference Asset should not be taken as an indication of future performance. At maturity, in the event that depositors are not guaranteed a minimum return under the applicable Terms and Conditions, and, based upon the performance of the Reference Asset, no Variable Amounts are payable or have been paid in connection with any prior Observation Date, depositors who hold their CDs to maturity will earn no return on their investment and will receive only the principal amount of their CDs. If payments on the CDs are linked to a Reference Asset that is a basket, it is possible that the performance of one component of the Reference Asset that would otherwise increase a Variable Amount payable may be offset by the performance of another component of the Reference Asset and, depending on the extent of such offset, it is possible that no Variable Amount would be payable. No assurance can be given, and none is intended to be given, that any return (other than a stated minimum return described in the applicable Terms and Conditions, if any) will be achieved on the CDs.

The Bank's Hedging transactions may affect the Reference Assets

The Bank may Hedge (as defined below) its exposure to the CDs. As part of any Hedge, the Bank or an affiliate of the Bank will be making investments, directly or indirectly, in financial instruments associated with the Reference Assets. As used herein, “Hedge” means (A) any transactions executed by the Bank or any affiliate of the Bank to (i) acquire, establish, reestablish, substitute, maintain, unwind, redeem or dispose of any transaction(s) or asset(s) the Bank or such affiliate deems necessary to hedge the risk of entering into and performing its obligations with respect to the CDs or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) or (B) the Bank or any other affiliate of the Bank entering into any such transactions. In addition, the Bank or any such affiliate is likely to modify its Hedge position throughout the life of the CDs. Although the Bank does not believe that such activities will have a material impact on either the prices of such instruments it uses to Hedge its exposure or on the performance of the Reference Assets, there can be no assurance that the Bank or its affiliates will not affect such Reference Assets as a result of such activities.

Indices and Funds may be passive investments

Indices and Funds may not be actively managed. Indices and Funds may be affected by a general decline in the U.S. or foreign markets or market segments relating to such Indices. Indices and Funds are comprised of securities, commodities, futures contracts or other assets included in, or representative of, the specific selection protocol of such Index or Fund, as applicable, regardless of their investment merit. Reference Index Sponsors may not attempt to take defensive positions in declining markets.

There may not be any secondary market for your CDs

Upon issuance, the CDs will not have an established trading market. We cannot assure you that a trading market for the CDs will develop or, if one develops, that it will be maintained. Even if there is a secondary market, it may not provide significant liquidity. In addition, the CDs will not be listed on any securities exchange. You therefore should be willing and able to hold the CDs until maturity.

You may be required to pay fees in connection with your purchase, sale or early redemption of the CDs

You may be required to pay an additional amount per CD (as specified in the applicable Terms and Conditions) as a commission for services rendered by any of the Agents in connection with your initial purchase of the CDs. In addition, to the extent you request that any Agent execute a secondary market-making transaction for any of your CDs (and the Agent agrees to do so), the Agents may receive a fee in connection with such secondary market-making transaction. Also, to the extent that you are able to early redeem the CDs prior to maturity, you may be required to pay an early redemption charge (as specified in the applicable Terms and Conditions). As a consequence of the fees associated with you selling your CDs in a secondary market transaction or, if permitted to do so, redeeming your CDs early, you may receive less than the full performance of the Reference Asset.

Depositors' yield may be lower than the yield on a standard CD or debt security of comparable maturity

Payments of Variable Amounts on the CDs, if any, may be lower than the interest payments you would receive by purchasing a conventional fixed-rate or floating-rate CD or debt security having the same maturity date and issuance date as the CDs. The annual percentage yield of the CDs is determinable only at maturity and may be less than that which would be payable on such a conventional fixed-rate or floating-rate CD or debt security. The return of your principal, plus a minimum return, if any, may not compensate the holder for any opportunity cost during the term of the CDs, including those implied by inflation and other factors relating to the time value of money.

We may choose to redeem the CDs when prevailing interest rates or the return on your investment are relatively low

If your CDs are redeemable at our option, this means that we have the right, without your consent, to redeem or "call" your CDs in whole, but not in part, at a specific point or at specific points in time, as specified in the applicable Terms and Conditions. This does not mean that you have a similar right to require us to repay your CDs. Where such a redemption right exists, you may not be able to reinvest the redemption proceeds in a comparable instrument with a similar maturity, including those of the Bank, at an effective interest rate or with an effective return as high as the interest rate or return on the CDs being redeemed. Any such redemption right of ours also may adversely impact your ability to sell your CDs, and/or the price at which you could sell your CDs, as the redemption date approaches. You should consult your own financial and legal advisors as to the risks of an investment in redeemable CDs.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the value or values of the instrument or instruments comprising the Reference Asset will rise or fall during the term of the CDs. During the term of the CDs, the price of the instrument or instruments comprising the Reference Asset may decrease below the initial value. We cannot guarantee that the price of the instrument or instruments comprising the Reference Asset will rise or fall over the life of the CDs or, if the price of the instrument or instruments comprising the Reference Asset does rise or fall, what the price will be on the Observation Date or Observation Dates that the performance of the Reference Asset is determined.

The historical performance of the Reference Asset is not an indication of future performance

The historical performance of the instrument or instruments comprising the Reference Asset, which may be included in the applicable Terms and Conditions, should not be taken as an indication of the future performance of the instrument or instruments comprising the Reference Asset. It is impossible to predict whether the value of the instrument or instruments comprising the Reference Asset will fall or rise over the term of the CDs. The value of the instrument or instruments comprising the Reference Asset will be influenced by the

complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instrument or instruments comprising the Reference Asset are traded and/or the value of the CDs.

Payments at maturity will not reflect dividends on the Reference Asset

Unless otherwise specified in the applicable Terms and Conditions, payments at maturity do not reflect the payment of dividends on the instrument or instruments comprising the Reference Asset. Therefore, unless otherwise specified, the yield derived from an investment in the CDs will not be the same as if you had purchased the instrument or instruments comprising the Reference Asset and held it or them for a similar period. Payments of Variable Amounts typically do not reflect the payment of dividends on the instrument or instruments comprising the Reference Asset except to the extent that the payment of dividends affects the price of the Reference Asset.

You must rely on your own evaluation of the merits of a purchase of the CDs

In connection with your purchase of the CDs, we urge you to consult your own financial, tax and legal advisors as to the risks entailed by a purchase of CDs and to investigate the instrument or instruments comprising the Reference Asset. You should make such investigation as you deem appropriate as to the merits of a purchase of the CDs.

The price at which you may be able to sell your CDs prior to maturity will depend on a number of factors, and may be substantially less than the amount you originally deposited

If you wish to liquidate your deposit in the CDs prior to maturity, your only alternative would be to sell the CDs. At that time, there may be an illiquid market for your CDs or no market at all. Even if you were able to sell your CDs, there are many factors outside of our control that may affect the value that you could realize from such a sale. We believe that the value of your CDs will be affected by the value and volatility of the instrument or instruments comprising the Reference Asset, whether or not the trading value of the Reference Asset is greater than, less than or equal to the initial value, changes in interest rates, the supply of and demand for the CDs and a number of other factors. Some of these factors 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. The price, if any, at which you will be able to sell your CDs prior to maturity may be substantially less than the amount you originally deposited if, at such time, the trading value of the Reference Asset is less than, equal to or not sufficiently above the initial value. The following paragraphs describe the manner in which we expect the trading value of the CDs will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Reference Asset performance.* We expect that the value of the CDs prior to maturity will depend substantially on the relationship between the trading value of the Reference Asset and its initial value. If you decide to sell your CDs when the trading value differs from the initial value, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that trading value because of expectations that the trading value will continue to fluctuate until the Observation Date or Observation Dates that the performance of the Reference Asset is determined.
- *Volatility of the Reference Asset.* Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Reference Asset increases or decreases, the trading value of the CDs may be adversely affected.
- *Interest rates.* We expect that the trading value of the CDs will be affected by changes in prevailing interest rates in the market. In general, if interest rates increase, the value of the CDs may decrease, and if interest rates decrease, the value of the CDs may increase.
- *Our credit ratings, financial condition and results of operations.* Actual or anticipated changes in our credit ratings as well as our financial condition or results of operations may significantly affect the trading value of the CDs. However, because the return on the CDs is dependent upon factors in addition to our ability to pay our obligations under the CDs, such as the trading value of the Reference Asset, an improvement in our credit ratings, financial condition or results of operations would not necessarily be expected to have a positive effect on the trading value of the CDs.
- *Time remaining to maturity.* A “time premium” results from expectations concerning the value of the Reference Asset during the period prior to the maturity of the CDs. As the time remaining to the maturity of the CDs decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the CDs. As the time remaining to maturity decreases, the trading value of the CDs may be less sensitive to the price volatility of the instrument or instruments comprising the Reference Asset.

- *Dividend yield, if any.* The value of the CDs also may be affected by the dividend yields, if any, on the instrument or instruments comprising the Reference Asset. In general, because the payment at maturity does not incorporate the value of dividend payments, an increase in dividend yields is likely to reduce the trading value of the CDs. Conversely, a decrease in dividend yields is likely to increase the trading value of the CDs.
- *Events affecting or involving the Reference Asset.* Economic, financial, regulatory, geographic, judicial, political and other developments that affect the value of the instruments comprising the Reference Asset, and real or anticipated changes in those factors, may also affect the trading value of the CDs. For example, earnings results of the instrument or instruments comprising a Reference Asset that is or relates to one or more equity securities, and real or anticipated changes in those conditions or results, may affect the trading value of the CDs. Reference Assets relating to equity securities may also be affected by mergers and acquisitions, which can contribute to volatility of the Reference Asset. As a result of a merger or acquisition involving any instrument comprising the Reference Asset, such instruments comprising the Reference Asset may be replaced with a surviving or acquiring entity's securities. The surviving or acquiring entity's securities may not have the same characteristics as the instrument or instruments previously comprising the Reference Asset.
- *Agent's compensation and cost of hedging.* The original issue price of the CDs includes the Agent's compensation and the cost of Hedging our obligations under the CDs. Such cost includes the hedge provider's expected cost of providing such Hedge and the profit the hedge provider expects to realize in consideration for assuming the risks inherent in providing such Hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which the Agent will be willing to purchase CDs from you in secondary market transactions will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by the Agent as a result of such compensation or other transaction costs.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the CDs attributable to another factor, such as an increase in the value of the Reference Asset.

The repayment of the principal amount of the CDs is insured by the FDIC only within the limits and to the extent described in this Base Disclosure Statement; to the extent payments under the CDs are not insured by the FDIC, you can depend only on our creditworthiness for payment on the CDs

Payments on the CDs will be solely our obligations, except to the extent of FDIC insurance, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the CDs. Our affiliates will have no obligation to pay any amount in respect of the CDs or to make any funds available for payment of the CDs. Accordingly, we will be dependent on our assets and earnings to generate the funds necessary to meet our obligations with respect to the CDs, including the payment of principal and any interest. If our assets and earnings are not adequate, we may be unable to make payments of principal or interest, if any, in respect of the CDs and you could lose that part of your deposit, if any, that is not covered by FDIC insurance.

The instrument or instruments comprising the Reference Asset may trade more frequently than the CDs trade in a secondary market, if any

The hours of trading for the CDs, if any, may not conform to the hours during which the instrument or instruments comprising the Reference Asset are traded. To the extent that U.S. markets are closed while foreign markets remain open, significant movements may take place in the values of the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the price of the CDs. In addition, there may not be any systematic reporting of last-sale or similar information for the Reference Asset. The absence of last-sale or similar information and the limited availability of quotations would make it difficult for many depositors to obtain timely, accurate data about the state of the market for the Reference Asset.

The Calculation Agent may postpone the determination of the amount you receive during the term of the CDs or at maturity if a Market Disruption Event occurs on any applicable Observation Date.

Any Observation Date may be postponed if the Calculation Agent determines that a Market Disruption Event has occurred or is continuing on such Observation Date. If a postponement occurs, the Calculation Agent will follow the procedures described herein unless otherwise prescribed in the applicable Terms and Conditions. You will not be entitled to compensation from us, in our capacity as the Issuer or as the Calculation Agent, for any loss suffered as a result of the occurrence of a Market Disruption Event or any resulting

delay in payment or any change in the value of any instrument or instruments comprising the Reference Asset after the originally-scheduled Observation Date.

The Calculation Agent could be us or one of our affiliates, and the Calculation Agent may have an adverse economic interest

The Calculation Agent will make certain determinations and judgments in connection with various calculations in connection with the CDs and determining whether a Market Disruption Event has occurred. You should refer to “Description of CDs” in this Base Disclosure Statement and in the relevant Terms and Conditions. Because the Calculation Agent could be us or one of our affiliates, the Calculation Agent may have economic interests that are adverse to the interests of the depositors of the CDs. The Calculation Agent is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

Trading and other transactions by us or our affiliates could affect the trading value and/or value of the Reference Asset, the trading value of the CDs or the amount you may receive at maturity

In connection with our normal business practices or in connection with Hedging our obligations under the CDs, we and our affiliates may from time to time buy or sell the instrument or instruments comprising a Reference Asset, similar instruments, other securities of an issuer of an instrument comprising a Reference Asset or derivative instruments relating to such an instrument or instruments. These trading activities may occur in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. These trading activities also could affect the price of an instrument comprising any Reference Asset in a manner that would decrease the trading value of the CDs prior to maturity or the amount you would receive at maturity. To the extent that we or any of our affiliates have a hedge position in an instrument or instruments comprising the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the CDs. This liquidation activity may affect the amount payable at maturity in a manner that would be adverse to your deposit in the CDs. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the CDs. We or any of our affiliates may hold or resell any such position in the CDs.

Research reports and other transactions may create conflicts of interest between you and us

We or one or more of our affiliates have published, and may in the future publish, research reports relating to the instrument or instruments comprising certain Reference Assets or to the issuers of certain such instruments. The views expressed in this research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the CDs. Any of these activities may affect the trading value of an instrument comprising the Reference Asset and, therefore, the value of the CDs. Moreover, other professionals who deal in these markets may at any time have views that differ significantly from ours. In connection with your purchase of the CDs, you should investigate the Reference Asset and not rely on our views with respect to future movements in the Reference Asset.

We or any of our affiliates also may issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the instrument or instruments comprising the Reference Asset. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the CDs.

We and our affiliates, at present or in the future, may engage in business relating to the sponsor or issuer of any instrument or instruments comprising the Reference Asset, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to such a sponsor or issuer. In connection with these activities, we may receive information pertinent to the Reference Asset that we will not divulge to you.

We cannot control actions by the Reference Firms of the instrument or instruments comprising the Reference Asset

Actions by any Reference Firm of any instrument or instruments comprising the Reference Asset may have an adverse effect on the trading value of any instrument comprising the Reference Asset and therefore on the value of the CDs. No Reference Firm will be involved with the administration, marketing or trading of the CDs and no Reference Firm will have any obligations with respect to the amounts to be paid to you on any applicable interest payment date or on the maturity date, or to consider your interests as an owner of CDs when it takes any actions that might affect the value of the CDs. No Reference Firm will receive any of the proceeds of any CD

offering or will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the CDs to be issued.

We will not be affiliated with any Reference Firm of any instrument or instruments comprising the Reference Asset (except for the licensing arrangements in respect of Indices, if any, discussed in the applicable Terms and Conditions), and we have no ability to control or predict their actions, including any errors in information disclosed by them or any discontinuance by them of such disclosure. However, we may currently, or in the future, engage in business with such Reference Firms. Neither we, nor any of our affiliates, including the agent, assumes any responsibility for the adequacy or accuracy of any publicly available information about the Reference Firm of any instrument or instruments comprising the Reference Asset, whether such information is contained in the applicable Terms and Conditions or otherwise. You should make your own investigation into the Reference Asset and the Reference Firm of any instrument or instruments comprising the Reference Asset.

You have no recourse to the Reference Firm of any instrument or instruments comprising the Reference Asset

Your purchase of the CDs will not give you any rights against any Reference Firm. The CDs are not sponsored, endorsed, sold or promoted by the Reference Firm of any instrument or instruments comprising the Reference Asset. The Reference Firms have no affiliation with the Bank, nor any obligations relating to the CDs, amounts to be paid to depositors, or consider the depositors interests for any reason.

Changes in methodology or practices of the Reference Firms of certain Reference Assets or changes in laws or regulations, may affect the value of and payment, if any, on the CDs prior to maturity and the amount you receive at maturity

The Reference Firm of certain Reference Assets may have the ability from time to time to change any of its rules or bylaws or historical practices and procedures or take emergency action under its rules, any of which could affect the trading value of the instrument or instruments comprising the Reference Asset. Any such change which causes a decrease in such trading value could adversely affect the value of the Reference Asset and the value of the CDs.

In addition, the value of a Reference Asset could be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on any instrument or instruments comprising a Reference Asset) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the value of the Reference Asset and, correspondingly, could adversely affect the value of the CDs.

Any discontinuance or suspension of calculation or publication of the trading values of the instrument or instruments comprising the Reference Asset may adversely affect the trading value of the CDs and the amount you will receive at maturity

If the calculation or publication of the trading values of the instrument or instruments comprising the Reference Asset is discontinued or suspended, the trading value of the CDs will become less certain or, if such discontinuance or suspension is continuing on the Observation Date, the amount you will receive at maturity could be adversely affected.

Reference Assets comprised of an instrument or instruments traded in a foreign market may contain additional risks

The prices and performance of instruments traded in foreign markets may be affected by political, economic, financial, social or other factors in the relevant foreign market. In addition, recent or future changes in governmental, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could adversely affect the foreign securities markets. Moreover, the relevant foreign economy may differ favorably or unfavorably from that of the United States.

Time differences between the domestic and foreign markets and New York City may create discrepancies in the trading values of the CDs if the Reference Assets are comprised of instruments that primarily trade on foreign markets

In the event that the instrument or instruments comprising a Reference Asset trade primarily on a foreign market, time differences between the domestic and foreign markets may result in discrepancies between the value or values of the instrument or instruments comprising the Reference Asset and the value of the CDs. To the extent that U.S. markets are closed while markets for the instrument or

instruments comprising the Reference Asset remain open, significant price or rate movements may take place in the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the CDs. In addition, there may be periods when the relevant foreign markets are closed for trading, causing the value of the Reference Asset to remain unchanged for multiple trading days in New York City.

The CDs may be treated for U.S. federal income tax purposes as debt instruments subject to special U.S. Treasury regulations governing contingent payment debt instruments

Unless otherwise set forth in the applicable Terms and Conditions, for U.S. federal income tax purposes the Bank will treat the CDs as contingent payment debt instruments (“CPDIs”) subject to taxation under the noncontingent bond method provided for under the special Treasury regulations applicable to CPDIs. A U.S. Holder (as defined below in “Certain U.S. Federal Income Tax Considerations”) therefore will be required to include interest into income on an annual basis, based upon a “comparable yield” and a “projected payment schedule” (both as defined below in “Certain U.S. Federal Income Tax Considerations”), even though no payments may be made on the CDs until maturity. In addition, any gain at maturity or on disposition of a CD prior to maturity generally will be treated as ordinary interest income, rather than as capital gain. See “Certain U.S. Federal Income Tax Considerations” in this Base Disclosure Statement for more information on the U.S. federal income tax consequences of an investment in the CDs.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS AN EQUITY SHARE, EQUITY INDEX OR FUND SHARE OR FUND INDEX WITH UNDERLYING EQUITY INSTRUMENTS

Equity market risks may affect the trading value of the CDs and the amount you will receive at maturity

If the Reference Asset is an Equity Share (or a Fund Share in respect of Funds with underlying equity instruments) or an equity Index (or an Index of Funds with underlying equity instruments), we expect that the Reference Asset will fluctuate in accordance with changes in the financial condition of the relevant Reference Issuer(s), the value of common stocks generally and other factors. The financial condition of the Reference Issuer(s) of the instruments underlying the Reference Asset may become impaired or the general condition of the equity market may deteriorate, either of which may affect the value of the Reference Asset and thereby affect the value of the CDs. Common stocks and other equity instruments are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the instrument or instruments comprising a Reference Asset change. Investor perceptions regarding the issuer of a security comprising a Reference Asset are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Asset may be expected to fluctuate until the maturity date.

You have no rights in the property, nor shareholder rights in any Shares, of any Reference Issuer or Reference Fund Sponsor of the instrument or instruments comprising the Reference Asset

Purchasing the CDs will not make you a holder of the instrument or instruments comprising the Reference Asset. Neither you nor any other holder or owner of the CDs will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any property or Shares of any Reference Issuer or Reference Sponsor of the instrument or instruments comprising the Reference Asset.

The CDs may be affected by certain corporate events and you will have limited antidilution protection

Following certain corporate events relating to the equity securities underlying the Reference Asset, such as a stock-for-stock merger where the underlying company is not the surviving entity, an investor in the underlying company may receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the closing price of such successor’s common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the CDs. The Calculation Agent for the CDs may adjust the amount payable at maturity by adjusting the initial value of the Reference Asset for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the Calculation Agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute or concentrate the Reference Asset but that does not require the Calculation Agent to adjust the terms of the CDs payable at maturity, the value of the CDs

and the amount payable at maturity may be materially and adversely affected. Any adjustments made by the Calculation Agent in response to a corporate event as described herein will be communicated to DTC. You should refer to “Description of the CDs—Calculation Agent” in this Base Disclosure Statement and the relevant Terms and Conditions for a description of the items that the Calculation Agent is responsible for determining.

We obtained the information about the Reference Assets and any related Reference Firms from public filings

We have derived all information in the applicable Terms and Conditions about the Reference Assets and any related Reference Firms from publicly available documents. We have not participated and will not participate in the preparation of any of those documents. Nor have we made or will we make any “due diligence” investigation or any inquiry with respect to the instrument or instruments comprising the Reference Asset or the sponsor or issuers of these instruments in connection with the offering of the CDs. We do not make any representation that any publicly available document or any other publicly available information about the instrument or instruments comprising the Reference Asset or any related Reference Firm is accurate or complete. Furthermore, we do not know whether all events occurring before the date of the applicable Terms and Conditions, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the trading value of the instruments comprising the Reference Asset, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning any instrument or instruments comprising the Reference Asset or any related Reference Firm could affect the value you will receive at maturity and, therefore, the market value of the CDs.

Your return may be affected by factors affecting foreign securities markets

The Reference Asset may be a security or securities issued by foreign companies (or an index relating to such securities) and may be denominated in a foreign currency. Depositors should be aware that investments in Reference Assets linked to the value of foreign securities (or an index relating to such securities) might involve particular risks. The foreign securities comprising or relating to a Reference Asset may have less liquidity and could be more volatile than many of the securities traded in U.S. or other longer-established securities markets. Direct or indirect government intervention to stabilize the relevant foreign securities markets, as well as cross shareholdings in foreign companies, may affect trading values and volumes in those markets. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the Commission; and foreign companies often are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with foreign securities may include, but are not necessarily limited to: less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; different accounting and disclosure standards; governmental interference; currency fluctuations; higher inflation; and social, economic and political uncertainties.

These factors may adversely affect the performance of the Reference Asset and, as a result, the market value of the CDs and the amount you will receive at maturity.

The Reference Index Sponsor of an Index or the Reference Fund Sponsor of a Fund may change the instruments comprising the Index or Fund, as applicable, in a way that adversely affects the Reference Asset value and consequently the value of the CDs

The Reference Index Sponsor of any Index or the Reference Fund Sponsor of a Fund can add, delete or substitute the instruments underlying the instruments that comprise the Reference Asset or make other methodological changes that could adversely change the level of any such instrument, and consequently the value of the Reference Asset and the CDs. You should realize that changes in the instrument or instruments underlying the Reference Asset may affect the value of the Reference Asset, as a newly added instrument or instruments may perform significantly better or worse than the instrument or instruments it replaces.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS A COMMODITY OR CURRENCY OR AN INDEX RELATING THERETO

Prices of commodities are highly volatile

Commodities prices are highly volatile and are affected by numerous factors in addition to economic activity. These include political events, weather, labor activity, direct government intervention, such as embargos, and supply disruptions in major producing or consuming regions. Such events tend to affect prices worldwide, regardless of the location of the event. Market expectations about these events and speculative activity also cause prices to fluctuate.

Certain rapidly developing countries are oversized users of commodities

The price of any instrument or instruments comprising the Reference Asset can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made China, India and other rapidly developing countries oversized users of commodities and has increased the extent to which the price of commodities relies on the Chinese, Indian and certain other markets. Political, economic and other developments that affect China, India and other developing countries will affect the value of each instrument or instruments comprising the Reference Asset and, thus, the value of the CDs. Because the commodities represented by the instrument or instruments comprising the Reference Asset are produced in a limited number of countries and are controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the prices of the instrument or instruments comprising the Reference Asset.

Suspensions or disruptions of market trading in the commodity markets and related futures may adversely affect the amount of interest you will receive at maturity and/or the market value of the CDs

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. In addition, U.S. futures exchanges and some foreign futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as "daily price fluctuation limits" and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a "limit price." Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You will not have any rights to receive the Reference Asset

Purchasing the CDs will not make you a holder of any commodity, currency or futures contract relating to a Reference Asset. The CDs will be paid in U.S. dollars, and you will have no right to receive delivery of any commodity, currency or futures contract relating to a Reference Asset.

Lack of regulation

The net proceeds to be received by us from the sale of CDs relating to one or more commodities (or an index thereon) will not be used to purchase or sell any commodity futures contracts or options on futures contracts for your benefit. A purchase of the CDs thus does not constitute either an investment in futures contracts, options on futures contracts or in a collective investment vehicle that trades in these futures contracts (i.e., the CDs will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory protections of the Commodity Futures Trading Commission. We are not registered with the Commodity Futures Trading Commission as a futures commission merchant and you will not benefit from the Commodity Futures Trading Commission's or any other non-United States regulatory authority's regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike a deposit in the CDs, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the Commodity Futures Trading Commission as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the CDs will not be interests in a commodity pool, the CDs will not be regulated by the Commodity Futures Trading Commission as a commodity pool, we will not be registered with the

Commodity Futures Trading Commission as a commodity pool operator, and you will not benefit from the Commodity Futures Trading Commission's or any non U.S. regulatory authority's regulatory protections afforded to persons who invest in regulated commodity pools.

Risks relating to trading of the instrument or instruments comprising a Reference Asset on foreign futures exchanges

Certain foreign futures exchanges operate in a manner more closely analogous to the over-the-counter physical commodity markets than to the regulated futures markets, and certain features of U.S. futures markets are not present. For example, there may not be any daily price limits which would otherwise restrict the extent of daily fluctuations in the prices of the respective contracts. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days.

If the Reference Asset is comprised of one or more foreign Currencies (or an Index thereon), the CDs relating thereto may be subject to foreign exchange risk

The price relationship between two different currencies may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the local economies, the trade and current account balance between the relevant countries, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The liquidity, trading value and amount you receive at maturity could be affected by the actions of the relevant sovereign governments

Exchange rates of most economically developed nations are "floating," meaning the rate is permitted to fluctuate in value. However, governments, from time to time, may not allow their currencies to float freely in response to economic forces. Moreover, governments, including that of the United States, use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments also may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing CDs relating to one or more foreign currencies is that their liquidity, their trading value and the amount you will receive at maturity could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of such CDs in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

The unavailability of foreign currencies could result in a substantial loss to you

Banks may not offer non U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, payments on non U.S. dollar denominated CDs will be made from an account with a bank located in the country issuing the specified currency. As a result, you may have difficulty converting or be unable to convert such specified currencies into U.S. dollars on a timely basis or at all.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS A FLOATING INTEREST RATE, AN INDEX CONTAINING FLOATING INTEREST RATES OR BASED IN PART ON A FLOATING INTEREST RATE

You may receive a lesser Variable Amount or no Variable Amount at all in the future

Because the Reference Asset will be comprised of or based in part on a floating interest rate, there will be significant risks not associated with a conventional fixed-rate CD. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, you will receive a Variable Amount representing a lesser amount of interest than might have been earned at the interest rate in

effect at the time you purchase the CDs, or you may receive no Variable Amount at all. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

The rate at which any Variable Amount is calculated may be below the rate otherwise payable on similar CDs with a floating interest rate issued by us or another issuer with the same credit rating

Because the Reference Asset will be comprised of or based in part on a floating interest rate, you may receive a Variable Amount based upon a rate that is less than the rate of interest on CDs (or debt securities) with the same maturity issued by us or an issuer with the same credit rating.

The terms of the CDs may not require payment of a Variable Amount in certain circumstances

The CDs may have Variable Amounts that are payable only if a particular Index property falls within a particular range of values (a “range CD”) or if it is higher or lower than a specified amount. You should consider the risk that the Variable Amount provisions applicable to these CDs, as specified in the applicable Terms and Conditions, may result in no Variable Amount or a lesser Variable Amount being payable on the CDs than the interest that would be payable on a conventional fixed rate CD issued by us at the same time and with the same maturity. For example, a range CD may provide that if the relevant Index for that range CD is less than the range minimum or is more than the range maximum on one or more business days during the applicable period (which may be for the entire term of the CD), no Variable Amount will be payable during the period.

In addition, the rate for calculating the Variable Amount applicable to CDs linked to an Index such as the consumer price index may be linked to period-over-period changes in the level of the Index for the relevant Index measurement period. If the Index does not increase (or decrease, as specified in the applicable Terms and Conditions) during the relevant measurement period, you may not receive any Variable Amounts for the applicable measurement period.

The Variable Amounts on the CDs could be zero

We have no control over the fluctuations in the levels of the Reference Assets. If the Variable Amounts depend on a formula that uses the Reference Asset as a variable, certain values of the Reference Asset may result in a calculation that equals zero. In that case, no Variable Amount may be payable for the related measurement period.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS THE CONSUMER PRICE INDEX (THE “CPI”) OR CONTAINS THE CPI OR IS BASED IN PART ON THE CPI

The Variable Amounts on the CDs could be zero

The terms of the CDs differ from those of conventional fixed-rate or floating-rate CDs or debt securities in that the Variable Amount on the CDs is linked to changes in the level of the CPI. We have no control over fluctuations in the value of the CPI, and such fluctuations may result in no Variable Amount being payable on the CDs for any given measurement period.

The rate at which the Variable Amount on the CDs is calculated may be below the rate otherwise payable on a conventional fixed-rate or floating-rate CD or debt security with the same maturity date and issuance date as the CDs and issued by us or another issuer with a similar credit rating

If there are only minimal increases, no changes or decreases in the monthly CPI measured period over period (as specified in the applicable Terms and Conditions), the rate at which the Variable Amount on the CDs is calculated may be less than the rate otherwise payable on a conventional fixed-rate or floating-rate CD or debt security with the same maturity date and issuance date as the CDs and issued by us (or an issuer with the same credit rating). We have no control over fluctuations in the value of the CPI.

The CPI may be discontinued; the manner in which the CPI is calculated may change in the future

There can be no assurances that the CPI will not be discontinued or that the Bureau of Labor Statistics of the U.S. Labor Department will not change the method by which it calculates the CPI. Changes in the way the CPI is calculated could reduce the level of the CPI and

lower the Variable Amounts with respect to the CDs. Accordingly, the Variable Amounts, if any, payable on the CDs, and therefore the value of the CDs, may be significantly reduced. We have no control over the way the CPI is calculated. If the CPI is substantially altered, a substitute Index may be employed to calculate the Variable Amounts payable on the CDs, and that substitution may adversely affect the value of the CDs.

The historical levels of the CPI are not an indication of the future levels of the CPI

The historical levels of the CPI are not an indication of the future levels of the CPI during the term of the CDs. In the past, the CPI has experienced periods of volatility and such volatility may occur in the future. Fluctuations and trends in the CPI that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

The Variable Amounts payable on the CDs, if any, will be affected by changes in the CPI. Such changes may be significant. Changes in the CPI are a function of the changes in specified consumer prices over time, which result from the interaction of many factors over which we have no control.

ADDITIONAL RISKS RELATING TO CDS WHICH CONTAIN A MULTIPLIER

Changes in the levels, values and prices of the Reference Asset will be intensified by the multiplier

If the Variable Amount or any other amounts payable on the CDs is dependent on a multiplier, movements in the levels, values and prices of the Reference Asset during each measurement period will be intensified. As a result, small changes in any Reference Asset are expected to have a greater effect on the value of the CDs than on the value of CDs without a multiplier.

ADDITIONAL RISKS RELATING TO CDS WITH A MAXIMUM LIMITATION, MAXIMUM RATE, CEILING OR CAP

Your gain, if any, on the CDs at maturity will be limited to the maximum limitation, maximum rate, ceiling or cap

Payments of Variable Amounts, if any, are based on the return of the Reference Asset, which if positive, may be subject to a maximum limitation, maximum rate, ceiling or cap (collectively referred to herein as a "maximum rate"). In the event that the maximum rate is applicable, the maximum Variable Amount payable for any measurement period will be limited by such maximum rate, regardless of the positive percentage increase in the value of the Reference Asset over the maximum rate.

ADDITIONAL RISKS RELATING TO CERTAIN CDS WITH MORE THAN ONE INSTRUMENT COMPRISING THE REFERENCE ASSET

Risks associated with the Reference Asset may adversely affect the market price of the CDs

Because the CDs may be linked to changes in the values of a limited number of instruments, the Reference Assets may be less diversified than funds or portfolios investing in broader markets and, therefore, could experience greater volatility. A purchase of such CDs may carry risks similar to a concentrated investment in a limited number of industries or sectors.

The instruments comprising the Reference Asset may not move in tandem; and gains in one such instrument may be offset by declines in another such instrument

Price movements in the instruments comprising the Reference Assets may not move in tandem with each other. At a time when the price of one or more of such instruments increases, the price of one or more of the other such instruments may decrease. Therefore, increases in the value of one or more of the instruments comprising the Reference Asset may be moderated, or wholly offset, by lesser increases or decreases in the value of one or more of the other instruments comprising the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors

The CDs are subject to the risk of an investment in the Reference Asset, which may be highly concentrated in securities or other instruments representing a particular economic sector. These include the risks of movements in the values of assets in these sectors,

including the values of securities or other instruments comprising the Reference Asset. If the Reference Asset is concentrated in an industry or group of industries or a particular economic sector, the value of the CDs will be impacted by price movements in that sector.

Please note, this Base Disclosure Statement and the applicable Terms and Conditions do not describe all the risks of a purchase of the CDs. We urge you to consult your own financial and legal advisors as to the risks entailed by a purchase of the CDs.

REFERENCE FIRMS AND REFERENCE ASSETS

The CDs have not been reviewed or approved on by the Reference Firms or by any sponsor or issuer of any instrument or instruments underlying the Reference Asset as to their legality or suitability. The CDs are not issued by and are not financial or legal obligations of the Reference Index Sponsors or Reference Issuers of the Reference Indices or Shares or of any sponsor or issuer of the instrument or instruments underlying the Reference Asset. The Reference Index Sponsors and Reference Issuers of the Reference Indices and Shares and any sponsor or issuer of the instrument or instruments underlying the Reference Asset make no warranties and bear no liabilities with respect to the CDs. This Base Disclosure Statement relates only to the CDs offered under the applicable Terms and Conditions and does not relate to any security of an underlying issuer.

If the Reference Asset is one or more U.S. equity securities, note that companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the Commission. Information provided to or filed with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1580, 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the Public Reference Section of the Commission, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference room by calling the Commission at 1-800-SEC-0330. In addition, information provided to or filed with the Commission electronically can be accessed through a website maintained by the Commission. The address of the Commission's website is <http://www.sec.gov>. Information provided to or filed with the Commission pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the Commission file number provided in the applicable pricing supplement. In addition, information regarding such a company may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We make no representation or warranty as to the accuracy or completeness of any such information.

We do not make any representation or warranty as to the accuracy or completeness of any materials referred to above, including any filings made by the issuer of the Reference Asset with the Commission. In connection with any issuance of CDs under this Base Disclosure Statement, neither we nor the Agent has participated in the preparation of the above-described documents or made any due diligence inquiry with respect to the sponsors or issuers of the Reference Asset. Neither we nor any affiliate makes any representation that such publicly available documents or any other publicly available information regarding the sponsor or issuer of the Reference Asset is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described herein) that would affect the trading value of the Reference Asset (and therefore the price of such Reference Asset at the time we price the CDs) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the sponsor or issuer of the Reference Asset could affect the price of the CDs and therefore the value received at maturity with respect to the CDs.

USE OF PROCEEDS AND HEDGING

The net proceeds we receive from the sale of the CDs will be used for general corporate purposes and, in part, in connection with hedging our obligations under the CDs, potentially through one or more of our affiliates. The original issue price of the CDs includes the Agent's commissions (as disclosed in the applicable Terms and Conditions) paid with respect to the CDs and the cost of Hedging our obligations thereunder. The cost of hedging includes the projected profit that our hedge providers (which may be our affiliates) expect to realize in consideration for assuming the risks inherent in managing the hedging transactions. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss.

On or prior to the pricing date, we, potentially through our affiliates or others, expect to Hedge our anticipated exposure in connection with the CDs by taking positions in the instrument or instruments comprising the Reference Asset, in option or futures contracts relating to such instrument or instruments listed on major securities or futures markets, in other types of derivative instruments relating to such instrument or instruments, or in any other available securities, commodities or instruments that we may wish to use in connection with such hedging. Such purchase activity could increase the initial value of the Reference Asset, and, accordingly, the value at which the Reference Asset must close to surpass the initial value. In addition, through our hedge providers, we are likely to modify our Hedge position throughout the life of the CDs, by purchasing and selling the instrument or instruments comprising the Reference Asset, options or futures contracts relating to such instrument or instruments listed on major securities or futures markets, other types of derivative instruments relating to such instrument or instruments or positions in any other available securities, commodities or instruments that we may wish to use in connection with such hedging activities. We cannot give any assurance that our hedging activities will not affect the price of the instrument or instruments comprising the Reference Asset and, therefore, adversely affect the value of the CDs or the payment that you will receive at maturity or upon any acceleration of the CDs.

FDIC INSURANCE

The summary of FDIC deposit insurance laws and regulations contained herein are not intended to be a full restatement of applicable laws and FDIC regulations and interpretations. In addition the applicable laws and FDIC regulations and interpretations may change from time to time and, in certain instances, additional terms and conditions may apply which are not described herein. Accordingly, the discussion herein is qualified in its entirety by applicable laws and the FDIC regulations and interpretations. The holder is urged to discuss with its attorney the insurance coverage afforded to any CD that it may purchase.

- Pursuant to the Dodd Frank Wall Street Reform and Consumer Protection Act, which became effective on July 22, 2010, the limit on federal deposit insurance coverage for deposits held by an individual depositor in the same ownership capacity at the same depository institution was permanently fixed to \$250,000. The Dodd Frank Wall Street Reform and Consumer Protection Act did not alter the deposit insurance coverage for certain retirement account, which also will continue to be fixed at \$250,000 per participant.
- *FDIC Coverage of Deposits Assumed Pursuant to Merger or Consolidation.* If the CDs or other deposits of a holder at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that such holder might have established with the acquirer until (a) for assumed CDs and time deposits that mature within six months after the assumption but are renewed at the same dollar amount and for the same term as the original deposit, the renewed maturity date of the CDs or other time deposit, (b) for assumed CDs and time deposits that mature more than six months after the assumption, the maturity date of such CDs or other time deposits or (c) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition. Thereafter any assumed deposits will be aggregated with the existing deposits with the acquirer held in the same legal capacity for purposes of federal deposit insurance. Any deposit opened at the acquired institution after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.
- *Revocable Trust Accounts.* Funds owned by an individual and deposited into a deposit account with respect to which the individual evidences an intention that upon his/her death the funds will belong to one or more natural persons or certain charities or non-profits (each, a "Qualifying Beneficiary") are insured by FDIC deposit insurance up to the applicable maximum insured amount times the number of Qualifying Beneficiaries, separately from any other deposit accounts of the owner or any other Qualifying Beneficiary. However, if the amount in the account exceeds five times the applicable maximum insured amount, and there are more than five Qualifying Beneficiaries, then the amount of FDIC deposit insurance will equal the greater of five times the applicable maximum insured amount or the aggregate amount of all the Qualifying Beneficiaries' interests up to the applicable maximum insured amount per Qualifying Beneficiary. The owner's intention must be manifested in the title of the account, by using such terms as "in trust for" or "payable upon death to," and the Qualifying Beneficiaries must be named in the deposit account records of the depository institution. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account and insured as described under "Joint Accounts."
- *Irrevocable Trust Accounts.* Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured by FDIC deposit insurance for up to the applicable maximum insured amount for the interest of each beneficiary, provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies) and certain other criteria are met. The FDIC treats Coverdell education savings accounts as irrevocable trust accounts for deposit insurance purposes. The FDIC deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or beneficiaries. The interests of a beneficiary in all irrevocable trust accounts at the Bank created by the same grantor will be aggregated and insured up to the applicable maximum insured amount. When a bankruptcy trustee commingles the funds of two or more bankruptcy estates in the same trust account, the funds of each bankruptcy estate will receive separate pass-through coverage for up to the applicable maximum insured amount.

A prospective depositor may wish to seek advice from its own attorney concerning FDIC insurance coverage of deposits held in more than one capacity. A prospective depositor may also obtain information by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100) or by e-mail (dcinternet@fdic.gov) or visiting the FDIC website at www.fdic.gov.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the CDs. This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such changes may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. Except as specifically provided below, this summary addresses only holders that purchase CDs at initial issuance, and own CDs as capital assets (as defined in Section 1221 of the Code) and not as part of a "straddle," "hedge," "synthetic security," or "conversion transaction" for U.S. federal income tax purposes or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; regulated investment companies or real estate investment trusts; small business investment companies; S corporations; investors that hold their CDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the CDs in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" or "passive foreign investment companies" both as defined for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the CDs.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of a CD that is:

- an individual who is a citizen or a resident of the United States, for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons (as defined for U.S. federal income tax purposes) have the authority to control all substantial decisions of the trust or (2) such trust was in existence on August 20, 1996 and such trust has a valid election in effect under the applicable Treasury regulations to be treated as a United States person.

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of a CD (other than an entity classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for U.S. federal income tax purposes 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). If a partnership (including for these purposes any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of a CD, the treatment of a partner in the partnership will generally depend upon the status of such partner and the activities of the partnership.

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THE FOLLOWING DISCUSSION OF U.S. FEDERAL INCOME TAX MATTERS AND ANY OTHER DISCUSSIONS OF U.S. FEDERAL INCOME TAX MATTERS CONTAINED IN THIS BASE DISCLOSURE STATEMENT (A) WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX-RELATED PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON, AND (B) WERE WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE CDs BY THE BANK AND THE AGENTS. EACH PERSON CONSIDERING AN INVESTMENT IN THE CDs SHOULD SEEK ADVICE BASED ON SUCH PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NEITHER THE BANK NOR ANY OF ITS RESPECTIVE OFFICERS OR EMPLOYEES PROVIDE TAX ADVICE. YOU SHOULD CONSULT YOUR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF CDs.

Tax Treatment of the CDs.

Unless otherwise set forth in the applicable Terms and Conditions, for U.S. federal income tax purposes, the Bank will treat the CDs as contingent payment debt instruments (“CPDIs”) subject to taxation under the “noncontingent bond method” provided for under the special Treasury regulations applicable to CPDIs (the “Contingent Debt Regulations”). The remainder of this discussion assumes that the CDs will be subject to the noncontingent bond method. The holders of the CDs will agree to treat the CDs in accordance with this treatment.

Tax Treatment of U.S. Holders.

Under the noncontingent bond method, for each accrual period, U.S. Holders of the CDs will accrue original issue discount (“OID”) equal to the product of (i) the “comparable yield” (adjusted for the length of the accrual period) and (ii) the “adjusted issue price” of the CDs at the beginning of the accrual period. This amount is ratably allocated to each day in the accrual period and is includible as ordinary interest income by a U.S. Holder for each day in the accrual period on which the U.S. Holder holds the CD, whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method may result in recognition of income prior to the receipt of cash.

In general, the comparable yield of a CPDI is equal to the yield at which the Bank would issue a fixed rate debt instrument with terms and conditions similar to those of the CPDI, including level of subordination, term, timing of payments, and general market conditions. For example, if a hedge of the CPDI is available that, if integrated with the CPDI, would produce a “synthetic debt instrument” with a specific yield to maturity, the comparable yield will be equal to the yield of the synthetic debt instrument. However, if such a hedge is not available, but similar fixed rate debt instruments of the issuer are traded at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the benchmark rate on the issue date and the spread. The applicable Terms and Conditions will either provide the comparable yield, or investors can obtain the comparable yield of the CDs, as determined by the Bank, by submitting a written request to: Structured Equity Derivatives - HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018.

The adjusted issue price at the beginning of each accrual period is generally equal to the issue price of the CD plus the amount of OID previously accrued upon the CD (generally determined without regard to any positive or negative adjustments, as discussed below) less any noncontingent payment and the projected amount of any contingent payment contained in the projected payment schedule (as described below) previously made on the CD. If a CD provides for noncontingent payments that exceed the amount that a holder would be required to accrue (without regard to any negative or positive adjustments), we intend to treat the excess as a nontaxable return of principal that will, in turn, reduce the adjusted issue price of the CDs.

In addition to the determination of a comparable yield, the noncontingent bond method requires the Bank to construct a projected payment schedule. The projected payment schedule includes all noncontingent payments, and projected amounts for each contingent payment to be made on the CD that are adjusted to produce the comparable yield. The applicable Terms and Conditions will either provide such projected payment schedule, or investors can obtain the projected payment schedule, as determined by the Bank, by submitting a written request to: Structured Equity Derivatives - HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018. Except as discussed below, the projected payment schedule remains fixed throughout the term of the CD and is not revised to account for changes in circumstances that occur while the CDs are outstanding. A U.S. holder is required to use the Bank’s projected payment schedule to determine its interest accruals and adjustments, unless the U.S. Holder determines that the Bank’s projected payment schedule is unreasonable, in which case the U.S. Holder must disclose its own projected payment schedule in connection with its U.S. federal income tax return and the reason(s) why it is not using the Bank’s projected payment schedule.

The comparable yield and projected payment schedule will be provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by U.S. Holders of the CDs solely for U.S. federal income tax purposes and will not constitute the Bank’s assurances, representations, or expectations as to the actual yield on the CDs.

If the actual amounts of contingent payments are different from the amounts reflected in the projected payment schedule, a U.S. Holder is required to make adjustments in its OID accruals when such amounts are paid. In addition, if a CD has been held until maturity, for purposes of determining the amount realized upon retirement of the CD at maturity, the U.S. Holder is generally treated as receiving the projected amount of any contingent payment due at maturity, as provided by the projected payment schedule (subject to adjustment, as described below). Adjustments arising from contingent payments that are greater than the projected amounts of those payments are referred to as “positive adjustments”; adjustments arising from contingent payments that are less than the projected amounts of those payments are referred to as “negative adjustments.” Positive and negative adjustments are netted for each taxable year with respect to

each CD. Any net positive adjustment for a taxable year is treated as additional OID income of the U.S. Holder. Any net negative adjustment reduces any OID on the CD for the taxable year that would otherwise accrue. Any excess is then treated as a current-year ordinary loss to the U.S. Holder to the extent of OID accrued in prior years. The balance, if any, is treated as a negative adjustment in subsequent taxable years. Finally, to the extent that it has not previously been taken into account, an excess negative adjustment reduces the amount realized upon a sale, exchange, redemption, maturity or other disposition of the CD.

Notwithstanding the foregoing, special rules will apply if a contingent payment on a CD becomes fixed more than six months prior to its scheduled date of payment. Generally, in such a case, a U.S. Holder would be required to account for the difference between the present value of the fixed payment and the present value of the projected payment as either a positive adjustment or a negative adjustment (i.e., either as additional OID or as an offset to future OID or as an ordinary loss, as appropriate) on the date the payment becomes fixed. Notwithstanding the preceding sentence, in such event, if all remaining contingent payments become fixed substantially contemporaneously, any positive or negative adjustment is taken into account in a reasonable manner over the remaining term of the CD. In addition, the projected payment schedule will generally be modified prospectively to reflect the fixed amount of the payment, and no further adjustment will be made when the payment is actually made. The adjusted issue price of the CD and a U.S. Holder's tax basis in the CD and the character of any gain or loss on the sale of the CD could also be affected. U.S. Holders should consult their own tax advisors concerning these special rules.

A U.S. Holder's tax basis in a CD is increased by the OID previously accrued by the U.S. Holder on the CD (as determined without regard to adjustments made to reflect differences between actual and projected payments, except as discussed in the preceding paragraph) and reduced by the amount of any noncontingent payments and the projected amount of any contingent payments previously made to the U.S. Holder. Gain on the sale, exchange, redemption or other disposition of a CD generally is treated as ordinary income. Loss, on the other hand, is treated as ordinary loss only to the extent of the U.S. Holder's prior net OID inclusions (i.e., reduced by the total net negative adjustments previously allowed to the U.S. Holder as an ordinary loss) and capital loss to the extent in excess thereof. The deductibility of capital losses is subject to certain limitations.

A U.S. Holder that purchases a CD for an amount other than the issue price of the CD will be required to adjust its OID inclusions to account for the difference. These adjustments will affect the U.S. Holder's basis in the CD. U.S. Holders that purchase CDs for an amount other than the issue price should consult their tax advisors regarding these adjustments.

Prospective investors should consult their own tax advisors with respect to the application of the CPDI provisions to CDs.

Tax Treatment of Non-U.S. Holders.

Subject to the discussion below regarding backup withholding, interest paid on CDs owned by a Non-U.S. Holder and any income realized by a Non-U.S. Holder upon the sale, exchange, redemption, maturity or other disposition of a CD will not be not subject to any U.S. federal income or withholding tax so long as (i) the interest and income is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and (ii) such Non-U.S. Holder is not an individual present in the United States for 183 days or more in the year of sale, exchange, redemption, maturity or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding.

Information reporting will apply to certain payments on a CD (including interest and OID) and proceeds of the sale of a CD held by a U.S. Holder that is not an exempt recipient (such as a corporation). Backup withholding may apply to payments made to a U.S. Holder if (a) the U.S. Holder has failed to provide its correct taxpayer identification number on Internal Revenue Service ("IRS") Form W-9, (b) either the agent of a U.S. Holder or the U.S. Holder has been notified by the IRS of an underreporting by such U.S. Holder (underreporting generally refers to a determination by the IRS that a payee has failed to include in income on its tax return any reportable dividend and interest payments required to be shown on a tax return for a taxable year) or (c) either the agent of a U.S. Holder or the U.S. Holder has been notified by the IRS that the tax identification number provided to the IRS on an information return does not match IRS records or that the number was not on such information return.

Backup withholding will generally not be required with respect to holders that are Non-U.S. Holders as long as such Non-U.S. Holder's agent has received a correct and complete IRS Form W-8BEN or Form W-8IMY with all of the attachments required by the IRS, signed under penalty of perjury, identifying such Non-U.S. Holder and stating, among other things, that it is not a United States person. Interest paid to a Non-U.S. Holder that is an individual who resides in Canada will be reported on IRS Form 1042-S which is filed with the IRS and sent to Non-U.S. Holders.

Information reporting and backup withholding may apply to the proceeds of a sale of a CD by a holder that is not a U.S. Holder made within the United States or conducted through certain U.S. related financial intermediaries, unless the payor receives the statement described above.

Backup withholding is not an additional tax and may be refunded (or credited against a U.S. Holder's or Non-U.S. Holder's U.S. federal income tax liability, if any), provided that certain required information is furnished. The information reporting requirements may apply regardless of whether or not withholding is required. For Non-U.S. Holders, copies of the information returns reporting such amounts and withholding also may be made available to the tax authorities in the country in which the holder is a resident under the provisions of an applicable income tax treaty or agreement.

CERTAIN ERISA CONSIDERATIONS

Section 4975 of the Code prohibits the borrowing of money, the sale of property and certain other transactions involving the assets of plans that are qualified under the Code (“Qualified Plans”) or individual retirement accounts (“IRAs”) and persons who have certain specified relationships to them. Section 406 of ERISA prohibits similar transactions involving employee benefit plans that are subject to ERISA (“ERISA Plans”). Certain governmental and other plans may be subject to provisions materially similar to the foregoing provisions of ERISA and the Code (“Similar Law”) (such plans are referred to as “Similar Law Plans”). Qualified Plans, IRAs and ERISA Plans are referred to as “Plans”.

Persons who have such specified relationships are referred to as “parties in interest” under ERISA and as “disqualified persons” under the Code. “Parties in interest” and “disqualified persons” encompass a wide range of persons, including any fiduciary (for example, investment manager, trustee or custodian), any person providing services (for example, a broker), the Plan sponsor, an employee organization any of whose members are covered by the Plan, and certain persons related to or affiliated with any of the foregoing.

The purchase and/or holding of the CDs by a Plan with respect to which the Bank is a fiduciary and/or a service provider (or otherwise is a “party in interest” or “disqualified person”) might constitute or result in a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless such CDs are acquired or held pursuant to and in accordance with an applicable statutory or administrative exemption. The Bank and several of its affiliates are each considered to be a “disqualified person” under the Code or a “party in interest” under ERISA with respect to many Plans.

Applicable exemptions may include certain prohibited transaction class exemptions and statutory exemptions (for example, Prohibited Transaction Class Exemption (“PTCE”) 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to certain in-house asset managers, PTCE 91-38 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate accounts, PTCE 95-60 relating to insurance company general accounts and ERISA Section 408(b)(17) relating to transaction with persons providing services to a Plan, other than fiduciaries, provided that the Plan receives no less than and pays no more than “adequate consideration”). In view of the fact that the CDs represent deposits with the Bank, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. A fiduciary of a Plan or a Similar Law Plan purchasing the CDs, or in the case of certain IRAs, the grantor or other person directing the purchase of the CDs for the IRA, shall be deemed to represent that its purchase, holding, and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. A fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction may be subject to civil liability and a penalty under ERISA. Code Section 4975 generally imposes an excise tax on disqualified persons who engage, directly or indirectly, in similar types of transactions with the assets of Plans subject to such Section. In addition, in the case of an IRA, a non-exempt prohibited transaction could result in disqualification of the IRA.

In accordance with ERISA’s general fiduciary requirement or any applicable general fiduciary requirement under Similar Law, a fiduciary with respect to any ERISA Plan or Similar Law Plan who is considering the purchase of the CDs on behalf of such plan should determine whether such purchase is permitted under the governing plan document and is prudent and appropriate for the ERISA Plan or Similar Law Plan in view of its overall investment policy and the composition and diversification of its portfolio. Plans established with, or for which services are provided by, the Bank should consult with counsel prior to making any such acquisition.

The sale of any CD to a Plan or a Similar Plan is in no respect a representation by the Bank or any of its affiliates that such a deposit meets all relevant legal requirements with respect to investments by Plans or Similar Plans generally or any particular Plan or Similar Plan, or that such a deposit is appropriate for a Plan or Similar Plan generally or any particular Plan or Similar Plan.

The discussion of ERISA and Section 4975 of the Code contained herein is, of necessity, general and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

ANY PERSON CONSIDERING AN INVESTMENT IN A CD THAT IS, OR IS ACTING ON BEHALF OF, A PLAN OR A SIMILAR PLAN IS STRONGLY URGED TO CONSULT ITS OWN LEGAL, TAX AND ERISA ADVISERS REGARDING THE CONSEQUENCES OF SUCH AN INVESTMENT AND THE ABILITY TO MAKE THE REPRESENTATION DESCRIBED ABOVE.

THE DISTRIBUTION

The CDs may be distributed through the Agents who may receive a fee up to 6.00% of the aggregate principal amount of the CDs being sold by the Bank as a result of the services of the Agents. The Bank may also pay Agents, at the time of any particular CD offering and pursuant to the applicable Terms and Conditions, an amount up to 0.25% per annum of the aggregate principal amount of the CDs in any particular CD offering for the term of the CDs. In addition, HSBC may pay certain Agents a fixed amount as agreed by HSBC and such Agent in connection with certain marketing costs and costs of implementing systems to support the sale and distribution of the CDs. Please note that the information about the issue date, pricing date and other terms of the CDs set forth in the related Terms and Conditions will only relate to such initial distribution. The Bank does not expect a secondary market to exist for the CDs.

If a secondary market were to develop for the CDs in the future, an Agent might redeem and resell the CDs in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. However, the Agents will have no obligation to make a market or to purchase a CD at any price.