DATED: September 6, 2017

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 that 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 that 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" on page 14 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 that excess. In addition, the FDIC has taken the position that certain amounts, including 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").

HSBC

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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 Call Reports are not audited. 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 disclosures about the Bank, the Call Reports nevertheless provide important information concerning the Bank's financial condition. The publicly available portions of each Call Report filed by the Bank in the quarterly periods in the years ended December 31, 2016, 2015 and 2014, and for the quarterly period ended March 31, 2017, and any amendment or supplement thereto, are incorporated herein by reference. The publicly available portions of the Bank's Call Reports filed with the FDIC subsequent to the date of this Base Disclosure Statement and prior to the termination of the offering of the CDs shall also be 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 100 F Street, N.E., 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, 2016, its Quarterly Report on Form 10-Q for the period ended March 31, 2017, and its Current Reports on Form 8-K filed with the Commission after December 31, 2016 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 to the following address:

HSBC Bank USA, National Association

Legal Department

Attn: General Counsel

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, Georgia, Illinois, Maryland, Massachusetts, New Jersey, New York, North Carolina, 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, Asia and Latin America.

As of June 30, 2017, the Bank represented approximately 99.3% of the consolidated assets of HSBC USA and had total assets of approximately $191.932 billion. The Bank had outstanding approximately $167.887 billion of total liabilities, including deposits totaling approximately $137.712 billion and approximately $11.342 billion of long-term debt. The Bank's main office is located in McLean, Virginia, and the telephone number at that office is (703) 883-8029. The Bank's principal executive offices are located at 452 Fifth Avenue, New York, New York.

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 June 30, 2017, HSBC USA had assets of approximately $193.4 billion and approximately 5,800 employees.

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:

- the price of a specified equity security or the prices of multiple specified single-name equity securities (each, an "Equity Share" and collectively, "Equity Shares"),
- 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"),
- the price of a commodity or the prices of multiple commodities (each, a "Commodity" and collectively, "Commodities"),
- the exchange rate between various currencies (each, a "Currency" and collectively, "Currencies"),
- interest rates (each, a "Rate" and collectively, "Rates"),
- 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
- 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 prospective 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 Fund Shares, reports and other information may have been filed with the Commission, or with respect to Indices, 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 Shares. The Reference Index Sponsors, the Reference Fund Sponsors, and the Reference Issuers are hereinafter referred to collectively as the "Reference Firms." 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 prospective 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 reflect 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 CDs 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. If applicable, if the CDs so redeemed are designated as "Limited Successor Option CDs" in the applicable Terms and Conditions, the redemption of the aggregate principal amount across all such CDs so redeemed may not exceed the highest Successor Option Limit Amount (as defined in the applicable Terms and Conditions) applicable to any of such Limited Successor Option CDs. Any redemption request in excess of this amount shall be subject to the terms of the section above entitled "Depositor Redemption" or other terms in the applicable Terms and Conditions. In addition, if redemptions are requested from more than one issuance or by more than one beneficiary of Limited Successor Option CDs, the Successor Option Limit Amount will be applied to the aggregate of all such multiple redemption requests, and shall be applied to such redemption requests in the order received by the Bank.

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. The CDs may also be subject to automatic redemption under certain circumstances if so provided in the applicable Terms and Conditions.

Redemption for Extraordinary Event. Unless otherwise provided in the applicable Terms and Conditions, if the Calculation Agent (as defined below) 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 in "Risk Factors — The Hedging transactions by us, the Agents and our respective affiliates may affect the Reference Assets") 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 section below entitled "Potential Adjustment Events."

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 instruments, 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 or any other payment 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. The determination of whether a Market Disruption Event has occurred or is continuing will be within the sole discretion of the Calculation Agent.

The Equity Share Reference Asset

"Market Disruption Event" means, with respect to any Equity Share on 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 Exchange or Related Exchange (each as defined below) or otherwise, and whether by reason of movements in price exceeding limits permitted by that Relevant Exchange or Related Exchange or otherwise, (a) relating to that Equity Share or any corresponding underlying share of an American depositary share (the "ADS Underlying Share") or (b) in any futures or options contracts relating to that Equity Share or any corresponding ADS Underlying Share;

(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, that Equity Share or any corresponding ADS Underlying Share or (b) to effect transactions in, or obtain market values for, any futures or options contracts relating to that Equity Share or any corresponding ADS Underlying Share;

(iii) the closure on any Scheduled Trading Day of any Relevant Exchange or Related Exchange for that Equity Share or any corresponding ADS Underlying Share prior to its Scheduled Closing Time unless that earlier closing time is announced by that Relevant Exchange or Related Exchange at least one hour prior to the actual closing time for the regular trading session on that Relevant Exchange or Related Exchange on that Scheduled Trading Day; or

(iv) the Relevant Exchange or any Related Exchange for an Equity Share or any corresponding ADS Underlying Share fails to open for trading during its regular trading session.

"Relevant Exchange" means (i) with respect to an Equity Share, any exchange for that Equity Share and (ii) with respect to an ADS Underlying Share, any exchange for that ADS Underlying Share where, in either case, trading has a material effect (as determined by the Calculation Agent) on the overall market for trading of that Equity Share or ADS Underlying Share.

"Related Exchange" for an Equity Share or ADS Underlying Share means each exchange or quotation system or any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the futures or options contracts relating to such an Equity Share or ADS Underlying Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to that Equity Share or ADS Underlying Share on such temporary substitute exchange or quotation system as on the original Related Exchange) on which futures or options contracts relating to that Equity Share or ADS Underlying Share are traded and where such trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options related to the Equity Share or ADS Underlying Share.

"Scheduled Closing Time" means, with respect to any exchange and a Scheduled Trading Day, the scheduled weekday closing time of that exchange on that Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means, with respect to an Equity Share or ADS Underlying Share, any day on which each Relevant Exchange for that Equity Share or ADS Underlying Share and each Related Exchange for that Equity Share or ADS Underlying Share are scheduled to be open for trading for that Equity Share or ADS Underlying Share.

The Fund Share Reference Asset

"Market Disruption Event" with respect to a Fund Share means any Scheduled Trading Day on which any Relevant Exchange or Related Exchange for that Fund Share fails to open for trading during its regular trading session or on which any of the following events has occurred and is continuing which the Calculation Agent determines is material:

(i) any suspension of or limitation imposed on trading by any Relevant Exchanges or Related Exchanges or otherwise, whether by reason of movements in price exceeding limits permitted by the Relevant Exchanges or Related Exchanges or otherwise, (A) relating to that Fund Share, (B) relating to the stocks or other securities then constituting 20% or more of the value of the securities that are assets of the Fund or the level of the underlying index of the Fund; or (C) in futures or options contracts relating to that Fund Share, the assets of the Fund, or the underlying index of the Fund, 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 that Fund Share; (B) to effect transactions in, or obtain market values for the stocks or other securities then constituting 20% or more of the value of the securities that are assets of the Fund or the level of the underlying index of the Fund; or (C) to effect transactions in, or obtain market values for, futures or options contracts relating to that Fund Share, the assets of the Fund, or the underlying index of the Fund on any Related Exchange; or

(iii) the closure on any Scheduled Trading Day of any Relevant Exchange or any Related Exchange relating to that Fund Share or any stocks or other securities then constituting 20% or more of the value of the securities that are assets of the Fund or the level of the underlying index of the Fund 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 the exchange; or (B) the submission deadline for orders to be entered on the Relevant Exchange or Related Exchange for execution at the close of trading on that day.

"Related Exchange" for a Fund Share means each exchange or quotation system or any successor to that exchange or quotation system or any substitute exchange or quotation system to which trading in the futures or options contracts relating to that Fund Share, the assets of the Fund, or the underlying index of the Fund has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to that Fund Share, the assets of the Fund, or the underlying index of the Fund on that temporary substitute exchange or quotation system as on the original Related Exchange) on which futures or options contracts relating to that Fund Share, the assets of the Fund, or the underlying index of the Fund are traded and where such trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options related to that Fund Share, the assets of the Fund, or the underlying index of the Fund.

"Relevant Exchange" means any exchange or quotation system for the Fund Share or any stock then included in the underlying index of the Fund, where trading has a material effect (as determined by the Calculation Agent) on the overall market for trading of such securities.

"Scheduled Closing Time" means the scheduled weekday closing time of the Relevant Exchange or Related Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" for a Fund Share means any day on which all of the Relevant Exchanges and Related Exchanges for that Fund Share are scheduled to be open for trading for their respective regular trading sessions.

The Currency Reference Asset

"Market Disruption Event," with respect to a Currency Reference Asset, means (i) any disruptions or suspensions of trading in the markets as a whole or general inconvertibility or non-transferability of one or more of the relevant Currencies; (ii) any disruption or suspension of trading relating to any futures or options contracts relating to the relevant Currencies and any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to affect transactions in, or obtain market values for, the relevant Currencies or any future or option contract related to the relevant Currencies; or (iii) any other event that prevents us or our affiliates from properly hedging our obligations under the CDs or prevents the Calculation Agent from valuing one or more of the relevant Currencies in the manner initially provided for in the applicable Terms and Conditions.

The Index Reference Asset

"Market Disruption Event" with respect to an equity Index means any Scheduled Trading Day on which any Relevant Exchange or Related Exchange fails to open for trading during its regular trading session or on which any of the following events has occurred and is continuing which the Calculation Agent determines is material:

(i) any suspension of or limitation imposed on trading by any Relevant Exchange or Related Exchange or otherwise, whether by reason of movements in price exceeding limits permitted by the Relevant

Exchanges or Related Exchange or otherwise, (A) relating to any stocks or other securities included in that Index then constituting 20% or more of the level of that Index; or (B) in futures or options contracts relating to that Index 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 stocks or other securities included in that Index then constituting 20% or more of the level of that Index; or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to that Index on any applicable Related Exchange; or

(iii) the closure, on any Scheduled Trading Day, of any Relevant Exchange or any Related Exchange relating to any stocks or other securities included in that Index then constituting 20% or more of the level of that 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 into the Relevant Exchange or Related Exchange for execution at the close of trading on that day.

"Related Exchange" means each exchange or quotation system or any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the futures or options contracts relating to the Index or the stocks or other securities included in the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Index or the stocks or other securities included in the Index on such temporary substitute exchange or quotation system as on the original Related Exchange) on which futures or options contracts relating to the Index or the stocks or other securities included in the Index are traded and where such trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options related to the stocks or other securities included in the Index.

"Relevant Exchange" means any exchange or quotation system for the stocks or other securities included in the Index, where trading has a material effect (as determined by the Calculation Agent) on the Index.

"Scheduled Closing Time" means the scheduled weekday closing time of the Relevant Exchange or Related Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for their respective regular trading sessions.

Commodity Reference Asset

The "Market Disruption Event" with respect to a Commodity will be defined in the applicable Terms and Conditions.

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 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 a 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 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 the index in order to arrive at a level 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 the CDs as described herein under "—Early Redemptions" and "—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 Event 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 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.

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 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 Event 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 may 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 may 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 Fund, 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 Fund, as applicable, with or into another entity (other than a consolidation, amalgamation or merger of the relevant Reference Issuer or Fund, 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 Fund, 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 Fund, as applicable, or its subsidiaries with or into another entity in which the Reference Issuer or Fund, 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 or Fund, as applicable, 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 and or ownership of the Reference Issuer 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.

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”), which does not include bulletin board, pink-sheets, or over-the-counter. 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 and or ownership of a Reference Issuer 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, (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 CDs 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;

(vi) Only in the case of the Funds that are trusts, the making of any amendment or supplement to the terms of the depository trust agreement; or

(vii) 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 or 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 or 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 treatment 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.

Certain Definitions

A "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in the City of New York.

The "record date" for any interest payment date is the date one business day prior to that interest payment date, unless another date is specified in the applicable Terms and Conditions.

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 final 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 in its sole discretion. 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 the 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 a deposit in the CDs is not equivalent to investing directly in the Reference Asset (or the instrument(s) included in 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 (alone or with the help their financial and legal advisers, as appropriate), 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 factors, 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.

Before investing in a specific CD issuance, prospective depositors should also read the additional risk factors included in the applicable Terms and Conditions.

Risks Relating to the Bank's Business

Please see the "Risk Factors" section in HSBC USA's most recent Annual Report on Form 10-K, along with the disclosure related to the risk factors contained in HSBC USA's subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in this Base Disclosure Statement, as updated by HSBC USA's future filings with the Commission. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Base Disclosure Statement. The Terms and Conditions applicable to each type of CDs we offer may contain a discussion of additional risks applicable to an investment in us and that particular type of CD.

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 entitled to a stated 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 Reference Asset, which fluctuate and cannot be predicted. At maturity, in the event that depositors are not entitled to a stated 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. 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.

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.

Depositors' yield may be lower than the yield on a conventional fixed-rate or floating-rate CD or debt security of comparable maturity

Periodic payments of Variable Amounts on the CDs, if any, may be lower than the interest payments a depositor would receive by investing in 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 principal, plus a minimum return, if any, may not compensate the depositor for any opportunity cost implied by inflation and other factors relating to the time value of money.

The CDs may not be a suitable investment for all depositors

Each prospective depositor in the CDs must determine the suitability of that investment (either alone or with the help of a financial adviser) in light of his or her own circumstances. In particular, each prospective depositor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant CDs, the merits and risks of investing in the relevant CDs and the information contained or incorporated by reference in this Base Disclosure Statement or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his or her own particular financial situation, an investment in the relevant CDs and the impact such investment will have on his or her overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of a deposit in the CDs;
- thoroughly understand the terms of the relevant CDs and be familiar with the behavior of any relevant Reference Asset and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his or her investment and his or her ability to bear the applicable risks.

Some CDs are complex financial instruments and may be purchased as a way to reduce risk or enhance yield by an understood, measured, appropriate addition of risk to an overall portfolio. A prospective depositor should not invest in CDs that are complex financial instruments unless he or she has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the CDs will perform under changing conditions, the resulting effect on the value of such CDs and the impact such investment will have on the prospective depositor's overall investment portfolio.

The CDs are subject to our credit risk.

The CDs are our deposit obligations and are not, either directly or indirectly, an obligation of any third party. Any principal amount of a CD, together with any other deposits held in the same right and capacity with us as the Issuer, that exceeds the applicable FDIC insurance limits, as well as any amounts payable under the CDs that are not insured by FDIC insurance, are subject to our credit risk, as Issuer of the CDs. As a result, the actual and perceived creditworthiness of us may affect the market value of the CDs and, in the event we were to default on our obligations, you may not receive any of the amounts owed to you under the terms of the CDs in excess of the amounts covered by the applicable FDIC insurance.

The Estimated Initial Value of the CDs, which will be determined by us on the pricing date, will be less than the original issue price and may differ from the market value of the CDs in the secondary market, if any

The Estimated Initial Value of the CDs will be calculated by us on the pricing date and will be less than the original issue price. The Estimated Initial Value will reflect a fixed-income component with the same maturity as the CDs, valued using an internal funding rate and the value of the embedded derivatives. The value of the embedded derivatives will be determined 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. Different pricing models and assumptions could provide valuations for the CDs that are different from our Estimated Initial Value. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. The internal funding rate will be based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing costs of the CDs. Our use of an internal funding rate may have an adverse effect on the terms of the CDs and any secondary market prices of the CDs.

The price of the CDs in the secondary market, if any, immediately after the pricing date will be less than the original issue price

The original issue price includes certain embedded costs. These costs, which will be used or retained by us or one of our affiliates, include distribution fees, our affiliates' projected hedging profits (which may or may not be realized) for assuming risks inherent in hedging our obligations under the CDs and the costs associated with structuring and hedging our obligations under the CDs. If you were to sell your CDs in the secondary market, if any, immediately after the settlement date of the CDs, the price you would receive for your CDs would be less than the price you paid for them because secondary market prices will not take into account these costs. The price of the CDs in the secondary market, if any, at any time after issuance will vary based on many factors, including the level or price of the Reference Asset and changes in market conditions, and cannot be predicted with accuracy. The CDs are not designed to be short-term trading instruments, and you should, therefore, be able and willing to hold the CDs to maturity. Any sale of the CDs prior to maturity could result in a loss to you.

If we were to repurchase the CDs immediately after the settlement date, the price you receive may be higher than the Estimated Initial Value of the CDs

Assuming that all relevant factors remain constant after the settlement date, the price at which we may initially buy or sell the CDs in the secondary market, if any, and the value that we may initially use for customer account statements, if we provide any customer account statements at all, may exceed the Estimated Initial Value on the pricing date for a temporary period specified in the applicable Terms and Conditions. This temporary price difference may exist because, in our discretion, we may elect to effectively reimburse to depositors a portion of the estimated cost of hedging our obligations under the CDs and other costs in connection with the CDs that we will no longer expect to incur over the term of the CDs. We will make such discretionary election and determine this temporary reimbursement period on the basis of a number of factors, including the term of the CDs and any agreement we may have with the distributors of the CDs. The amount of our estimated costs which we effectively reimburse to depositors in this way may not be allocated ratably throughout the reimbursement period, and we may discontinue such reimbursement at any time or revise the duration of the reimbursement period after the settlement date of the CDs based on changes in market conditions and other factors that cannot be predicted.

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 sufficient 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. See "—The price at which depositors will be able to sell their CDs in a secondary market, if any, prior to maturity will depend on a number of factors, and may be substantially less than the amount a depositor had originally deposited" below.

Depositors may be required to pay a penalty in connection with their early redemption of the CDs

To the extent that the applicable Terms and Conditions allows depositors to redeem the CDs prior to maturity, a depositor may be required to pay a penalty in connection with his or her early redemption of the CDs. If so indicated in the applicable Terms and Conditions, that redemption penalty may take into account factors that affect the market value of the CDs. As a consequence of the penalties associated with redeeming the CDs prior to maturity, if permitted to do so, depositors may receive less, or substantially less, than the amount that the depositors had originally deposited or the estimated price on the depositor's account statement (if any).

The amount payable on the CDs is not linked to the performance of the Reference Asset at any time other than on the Observation Date(s)

The Variable Amount will be determined based on the performance of the Reference Asset on the Observation Date(s), subject to postponement for non-trading days and certain Market Disruption Events. Even if the level or price of the Reference Asset appreciates during the term of the CDs on days other than the Observation Date(s), but then decreases on the Observation Date(s), the payments on the CDs will be less, and may be significantly less, than it would have been had the payments on the CDs been linked to the level or price of the Reference Asset prior to such decrease. Although the actual level or price of the Reference Asset on the stated maturity date or at other times during the term of the CDs may be higher than the level or price of the Reference Asset on the Observation Date(s), the payments on the CDs will be based solely on the level or price of the Reference Asset on the Observation Date(s).

The CDs may be redeemed prior to the stated maturity date, and if they are redeemable at the Bank's option, the Bank may choose to redeem the CDs when prevailing interest rates or the return on a depositor's investment are relatively low

Under certain circumstances or if so provided in the applicable Terms and Conditions, the CDs may be redeemed prior to maturity, including, but not limited to, redemption for extraordinary events, or redemption in respect of merger, tender offer, nationalization, delisting, insolvency or Fund Share Alteration Events. See "Description of the CDs—Early Redemptions" above. In that case, the term of the CDs could be shortened and you may not receive any further interest payments. There is no guarantee that you would be able to reinvest the proceeds from an investment in the CDs at a comparable return for a similar level of risk in the event the CDs are redeemed prior to maturity.

If the CDs are redeemable at the Bank's option, this means that the Bank has the right, without the consent of depositors, to redeem or "call" all or a portion of the CDs at any time, as specified in the applicable Terms and Conditions. This does not mean that depositors have a similar right to require the Bank to repay the CDs. Where such a redemption right exists, the holding period over which a depositor may receive the interest payment amount would be substantially reduced, and a depositor 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 also may impair a depositor's ability to sell his or her CDs and/or the price at which he or she could sell the CDs, as the redemption date approaches. The ability to redeem the CDs may create a conflict of interest between the Bank and the depositors. Depositors should consult their own financial and legal advisers as to the risks of an investment in redeemable CDs.

Price or other movements in the instrument(s) included in the Reference Asset are unpredictable

Price or other movements in the instrument(s) included in the Reference Asset to which the CDs are linked 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(s) are traded and/or the particular instrument(s). As a result, it is impossible to predict whether the levels or prices of the instrument(s) included in the Reference Asset will rise or fall during the term of the CDs. During the term of the CDs, the level or price of the instrument(s) included in the Reference Asset may decrease below the initial level or price. The Bank cannot guarantee that the level or price of the instrument(s) included in the Reference Asset will rise or fall over the term of the CDs or, if the level or price of the instrument(s) included in the Reference Asset does rise or fall, what the level or price will be on the Observation Date(s).

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

The historical or hypothetical historical performance of the instrument(s) included in 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(s) included in the Reference Asset. It is impossible to predict whether the level or price of the Reference Asset will fall or rise over the term of the CDs. The level or price of the Reference Asset will be influenced by complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instrument(s) included in the Reference Asset are traded and/or the market value of the CDs.

The price at which depositors will be able to sell their CDs in a secondary market, if any, prior to maturity will depend on a number of factors, and may be substantially less than the amount a depositor had originally deposited

Depositors 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 their initial purchase of the CDs. In addition, to the extent a depositor wishes to sell his or her CD prior to maturity and requests that an Agent execute a secondary market-making transaction for any of his or her CDs (and the Agent agrees to do so), the Agents may receive a fee in connection with such secondary market-making transaction. The price at which depositors will be able to sell their CDs in a secondary market, if any, prior to maturity will depend on a number of factors, and may be substantially less than the amount a depositor had originally deposited or the estimated price on the depositor's account statement (if any). If a depositor wishes to liquidate his or her deposit prior to maturity, the only alternative would be to sell the CDs. At that time, there may be an illiquid market for the CDs or no market at all. Even if a depositor were able to sell his or her CDs, there are many factors outside of the Bank's control that may affect the value that such depositor could realize from such a sale. The Bank believes that the value of a depositor's CDs will be affected by the value and volatility of the instrument(s) included in the Reference Asset, 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 a depositor will be able to sell his or her CDs prior to maturity may be substantially less than the amount that depositor originally deposited even if, at such time, the level or price of the Reference Asset is greater than or equal to the initial level or price. The following paragraphs describe the manner in which the Bank expects the market value of the CDs prior to maturity will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Reference Asset performance.* The Bank expects that the market value of the CDs prior to maturity will depend substantially on the relationship between the level or price of the Reference Asset and its initial level or initial price. If a depositor decides to sell his or her CDs when the level or price of the Reference Asset differs from its initial level or initial price, such depositor may nonetheless receive substantially less than the amount that would be payable at maturity based on that level or price because of expectations that the level or price will continue to fluctuate until the Observation Date(s).

- *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 market value of the CDs may be adversely affected.

- *Interest rates.* The Bank expects that the market value of the CDs will be affected by changes in prevailing interest rates. In general, if interest rates increase, the market value of the CDs may decrease, and if interest rates decrease, the market value of the CDs may increase. Interest rates also may affect the economy and, in turn, the value of the Reference Asset, which would affect the market value of the CDs.

- *The Bank's credit ratings, financial condition and results of operations.* Actual or anticipated changes in the Bank's current credit ratings as well as the Bank's financial condition or results of operations may significantly affect the market value of the CDs. However, because the return on the CDs is dependent upon factors in addition to the Bank's ability to pay its obligations under the CDs, such as the level or price of the Reference Asset, an improvement in the Bank's credit ratings, financial condition or results of operations is not expected to have a positive effect on the market 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 market value of the CDs. As the time remaining to maturity decreases, the market value of the CDs may be less sensitive to the price volatility of the instrument(s) included in the Reference Asset.

- *Dividend yield, if any.* The market value of the CDs also may be affected by the dividend yields, if any, on the instrument(s) included in a 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 market value of the CDs. Conversely, a decrease in dividend yields is likely to increase the market value of the CDs.

- *Events affecting or involving the Reference Asset.* Economic, financial, regulatory, geographic, judicial, political and other developments that affect the level or price of the instrument(s) included in the Reference Asset, and real or anticipated changes in those factors, also may affect the market value of the CDs. For example, earnings results of the instrument(s)

included in a Reference Asset that is or relates to one or more Shares, and real or anticipated changes in those conditions or results, may affect the market value of the CDs. Reference Assets relating to Shares also may be affected by mergers and acquisitions, which can contribute to volatility of the security or securities included in the Reference Asset. As a result of a merger or acquisition involving such a Reference Asset, the Shares 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 company or companies previously included in the Reference Asset.

- *Exchange rate movements and volatility.* If the Reference Asset includes any non-U.S. asset, 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 market value of the CDs.

- *Agent's compensation and cost of hedging.* The original issue price of the CDs includes the Agent's compensation and the cost of Hedging (as defined herein) 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 a depositor in secondary market transactions prior to maturity will likely be lower than the original issue price and, accordingly, a depositor should be able and willing to hold the CDs to maturity. 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.

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

Payments at maturity will not reflect dividends on the Reference Asset

Payments of Variable Amounts do not reflect the payment of dividends on the instrument(s) included in the Reference Asset. Therefore, the yield derived from a deposit in the CDs will not be the same as if depositors had purchased the instrument(s) included in the Reference Asset and held it or them for a similar period.

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 advisers as to the risks associated with your purchase of the CDs and to investigate the instrument(s) included in the Reference Asset. You should make such investigation as you deem necessary and appropriate as to the merits of a purchase of the CDs.

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 full principal amount of your CDs and Variable Amount (if any) may not be fully protected by deposit insurance

The CDs are insured by the FDIC only within the limits and to the extent described in this Base Disclosure Statement.

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, amounts in excess of the principal amount due at maturity, or payable in the form of a Variable Amount, if any, based upon changes in a Reference Asset, may not be insured by the FDIC until finally determined and payable (as described herein). In addition, 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 that excess. In addition, any secondary market premium paid by a depositor above the principal amount of the CDs is not insured by the FDIC.

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

Except to the extent insured by the FDIC as described in this Base Disclosure Statement, the CDs are not otherwise insured by any governmental agency or instrumentality or any other person.

FDIC deposit insurance regulations may change from time to time in a manner that could adversely affect your eligibility for deposit insurance. For more information, see "FDIC Insurance" in this Base Disclosure Statement.

The instrument(s) included in 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(s) included in the Reference Asset are traded. To the extent that U.S. markets are closed while other markets remain open, significant movements may take place in the levels or prices of the instrument(s) included in 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 depositors receive in respect of the CDs if a Market Disruption Event occurs on any Observation Date

Any Observation Date(s) may be postponed if the Calculation Agent determines that a Market Disruption Event has occurred or is continuing on such Date. If a postponement occurs, the Calculation Agent will follow the procedures described herein unless otherwise prescribed in the applicable Terms and Conditions. Depositors will not be entitled to compensation from the Bank or 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 level or price of the Reference Asset after the originally scheduled Observation Date(s).

The Calculation Agent is expected to be the Bank or one of its affiliates and may have an adverse economic interest

The Calculation Agent will make certain determinations and judgments in relation to 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 is expected to be the Bank or one of its affiliates, the Calculation Agent may have economic interests that are adverse to the interests of the depositors of the CDs. The determinations by the Calculation Agent will be final and binding absent manifest error.

The Hedging transactions by us, the Agents and our respective affiliates may affect the Reference Assets

The Bank may Hedge (as defined below) its exposure to the CDs. As part of any Hedge, the Bank, the Agents or our respective affiliates 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, the Agents or any of our respective affiliates to (i) acquire, establish, re-establish, substitute, maintain, unwind, redeem or dispose of any transaction(s) or asset(s) the Bank, the Agents or any of our respective affiliates 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, the Agents or any of our respective affiliates entering into any such transactions. In addition, the Bank, the Agents or any of our respective affiliates 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, the Agents or any of our respective affiliates will not affect such Reference Assets as a result of such activities.

Trading and other transactions by the Bank or its affiliates could affect the level or price of the Reference Asset, the market value of the CDs or the amount a depositor may receive at maturity

In connection with normal business practices or in connection with Hedging its obligations under the CDs, the Bank and its affiliates may from time to time buy or sell the instrument(s) included in a Reference Asset, similar instruments, other securities of a Reference Issuer or derivative instruments relating to such securities, instrument or instruments. These trading activities may occur in the Bank's proprietary accounts, in facilitating transactions, including block trades, for the Bank's other customers and in accounts under the Bank's management. These trading activities also could affect the price of an instrument included in any Reference Asset in a manner that would decrease the market value of the CDs prior to maturity or the amount a depositor would receive at maturity. To the extent that the Bank or any of its affiliates have a hedge position in an instrument(s) included in the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, the Bank or any of its 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 a depositor's investment 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, the Bank or any of its affiliates may purchase or otherwise acquire a long or short position in the CDs. The Bank or any of its affiliates may hold or resell any such position in the CDs.

Research reports and other transactions may create conflicts of interest between depositors and the Bank

The Bank or one or more of its affiliates have published, and may in the future publish, research reports relating to the instrument(s) included in certain Reference Assets or to the relevant Reference Issuers. 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 level or price of an instrument included in the

Reference Asset and, therefore, the market value of the CDs. Moreover, other professionals who deal in these markets may at any time have views that differ significantly from that of the Bank (or its affiliates). In connection with purchasing the CDs, depositors should investigate the Reference Asset and not rely on the views of the Bank (or its affiliates) with respect to future movements in the Reference Asset.

The Bank or any of its 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(s) included in the Reference Asset. By introducing competing products into the marketplace in this manner, the Bank or its affiliates could adversely affect the market value of the CDs.

The Bank and its affiliates, at present or in the future, may engage in business relating to the Reference Firm of any instrument(s) included in the Reference Asset, including making loans to, equity investments in, or providing investment banking, merger and acquisition, asset management or other advisory services to such a Reference Firm. In connection with these activities, the Bank may receive information pertinent to the Reference Asset that it will not divulge to depositors.

The Bank cannot control actions by the Reference Firms of the instrument(s) included in the Reference Asset

Actions by any Reference Firm of the instrument(s) included in the Reference Asset may have an adverse effect on the level or price of any instrument included in the Reference Asset and therefore on the market value of the CDs. Unless otherwise stated in the applicable Terms and Conditions, 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 depositors on any applicable interest payment date or on the maturity date, or to consider a depositor's interest as an owner of CDs when it takes any actions that might affect the market value of the CDs. No Reference Firm will receive any of the proceeds of any CD offering and no Reference Firm will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the CDs to be issued.

Unless otherwise stated in the applicable Terms and Conditions, the Bank will not be affiliated with any Reference Firm of any instrument(s) included in the Reference Asset (except for the licensing arrangements in respect of Indices, if any, discussed in the applicable Terms and Conditions and except as discussed below under "–Even if the securities of one of the Bank's affiliates are tracked by a Reference Asset that is an equity Index, the Bank or its affiliates will not have any obligation to consider your interests"), and the Bank has 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, the Bank may currently, or in the future, engage in business with such Reference Firms. Neither the Bank nor any of its affiliates, including the Agents, assumes any responsibility for the adequacy or accuracy of any publicly available information about any Reference Firm of any instrument(s) included in the Reference Asset, whether such information is contained in the applicable Terms and Conditions or otherwise. Depositors should make their own investigation into the Reference Asset and any Reference Firm of any instrument(s) included in 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 considering the depositors interests for any reason.

Depositors have no recourse to the Reference Firm of any instrument(s) included in the Reference Asset

A depositor's investment in the CDs will not give him or her any rights against any Reference Firm, including any Reference Firm that may determine or publish the level of any instrument(s) included in the Reference Asset. The CDs are not sponsored, endorsed, sold or promoted by the Reference Firm of any instrument(s) included in the Reference Asset.

Changes in methodology or practices of the Reference Firm 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 depositors 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 level or price of the instrument(s) included in the Reference Asset. Any such change which causes a decrease in such level or price could adversely affect the level or price of the Reference Asset and the market value of the CDs.

In addition, the level or price 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(s) included in a Reference Asset) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the level or price of the Reference Asset and, correspondingly, could adversely affect the market value of the CDs.

Any discontinuance or suspension of the calculation or publication of the levels or prices of the instrument(s) included in the Reference Asset may adversely affect the market value of the CDs and the payment depositors will receive at maturity

If the calculation or publication of the levels or prices of the instrument(s) included in the Reference Asset is discontinued or suspended, it may become difficult to determine the market value of the CDs or, if such discontinuance or suspension is continuing on any Observation Date, the payment depositors will receive at maturity.

The Reference Asset may include an Index that is not a recognized market index and may not accurately reflect global market performance

The Reference Asset may include an Index that is not a recognized market index and may be created solely for purposes of the offering of the CDs and calculated solely during the term of the CDs. In such an instance, the level of that Reference Asset and, therefore, its performance, may not be published during the term of the CDs.

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(s) included in 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(s) included in the Reference Asset and the value of the CDs. To the extent that U.S. markets are closed while markets for the instrument(s) included in the Reference Asset remain open, significant price or rate movements may take place in the instrument(s) included in 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 a deposit in the CDs.

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

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

If the Reference Asset is an Equity Share or an equity Index, the Bank expects 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 instrument(s) included in the Reference Asset may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the level or price of the Reference Asset and thereby affect the market value of the CDs. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the instrument(s) included in the Reference Asset change. Investor perceptions regarding the relevant Reference Issuers 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 maturity.

Depositors have no rights in the property, nor shareholder rights in any securities of any Reference Issuer, of the instrument(s) included in the Reference Asset

Investing in the CDs will not make a depositor a holder of the instrument(s) included in the Reference Asset. Neither a depositor 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 securities of the Reference Issuer(s) of the instrument(s) included in the Reference Asset.

The CDs may be affected by certain corporate events and depositors will have limited anti-dilution protection

Following certain corporate events relating to the Reference Issuers of Reference Assets consisting of Equity Shares, such as a stock-for-stock merger where the underlying company is not the surviving entity, investors 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 subsequent adjustments may materially and adversely affect the market value of the CDs. See "Description of the CDs–Potential Adjustment Events" herein. The Calculation Agent for the CDs may adjust the amount payable at maturity by adjusting the initial level or initial price 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 market value of the CDs and the amount payable at maturity may be materially and adversely affected. You should refer to "Description of the CDs–The 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.

Even if the securities of one of the Bank's affiliates are tracked by a Reference Asset that is an equity Index, the Bank or its affiliates will not have any obligation to consider your interests

The Bank's ultimate parent HSBC Holdings plc is currently one of the companies included in certain equity Indices, any of which could be a Reference Asset, or a component of a basket included in a Reference Asset. The Bank will not have any obligation to consider your interests in taking any corporate action that might affect the value of such an Index, or any other Index that tracks or may track the Bank's affiliates' securities.

Unless otherwise stated in the applicable Terms and Conditions, the Bank will obtain the information about the Reference Firms of the instrument(s) included in the Reference Asset from public filings

Unless otherwise stated in the applicable Terms and Conditions, the Bank will derive all information in the applicable Terms and Conditions about the Reference Firms of the instrument(s) included in the Reference Asset from publicly available documents. Unless otherwise stated in the applicable Terms and Conditions, the Bank has not participated and will not participate in the preparation of any of those documents. Additionally, the Bank has not made or will it make any "due diligence" investigation or any inquiry with respect to the Reference Firms of the instrument(s) included in the Reference Asset in connection with the offering of the CDs. The Bank does not make any representation that any publicly available document or any other publicly available information about the Reference Firms of the instrument(s) included in the Reference Asset is accurate or complete. Furthermore, the Bank does 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 level or price of the instruments included in 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 the Reference Firms of the instrument(s) included in the Reference Asset could affect the payment depositors will receive at maturity and, therefore, the market value of the CDs.

A depositor's 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). Depositors should be aware that investments in Reference Assets linked to the price of foreign securities (or an Index relating to such securities) might involve particular risks. The foreign securities included in or relating to a Reference Asset may have less liquidity and could be more volatile than many of the securities traded in the 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 levels or prices and volumes in those markets. Also, there is generally less publicly available information about foreign companies than about 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 payment depositors will receive at maturity.

The Reference Index Sponsor of an equity Index that is a Reference Asset may change the instruments included in the Indices in a way that adversely affects the level of the Reference Asset and consequently the market value of the CDs

The Reference Index Sponsor can add, delete or substitute the instruments included in the Reference Asset or make other methodological changes that could adversely change the level of the Reference Asset and thereby affect the market value of the CDs. Changes in the instrument(s) included in the Reference Asset may affect the level or price 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 FUND

In addition to the underlying index of a Fund (an "Underlying Index") being subject to the applicable risk factors set forth above, the following risk factors apply to Funds.

A Fund and its Underlying Index are different

The performance of a Fund may not exactly replicate the performance of its Underlying Index, because the Fund will reflect transaction costs and fees that are not included in the calculation of its Underlying Index. It is also possible that a Fund may not fully replicate or may in certain circumstances diverge significantly from the performance of its Underlying Index due to the temporary unavailability of certain securities in the secondary market, the performance of any derivative instruments contained in the Fund or due to other circumstances. A Fund may use futures contracts, options, swap agreements, currency forwards and repurchase agreements in seeking performance that corresponds to its Underlying Index and in managing cash flows.

Funds are subject to management risk

Funds are not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgment. Instead, Funds, utilizing a "passive" or indexing investment approach, attempt to approximate the investment performance of their respective Underlying Indices by investing in a portfolio of securities that generally replicate the respective Underlying Indices. Therefore, unless a specific security is removed from the respective Underlying Index, a Fund generally would not sell a security because the security's issuer was in financial trouble. In addition, a Fund is subject to the risk that the investment strategy of the Fund's investment adviser may not produce the intended results.

The performance and market value of a Fund during periods of market volatility may not correlate with the performance of its Underlying Index as well as the net asset value per share of the Fund

During periods of market volatility, securities held by a Fund may be unavailable in the secondary market, market participants may be unable to calculate accurately the net asset value per share of the Fund and the liquidity of the Fund may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares of the Fund. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of the Fund. As a result, under these circumstances, the market value of shares of the Fund may vary substantially from the net asset value per share of the Fund. For all of the foregoing reasons, the performance of the Fund may not correlate with the performance of its Underlying Index as well as the net asset value per share of the Fund, which could materially and adversely affect the value of the CDs in a secondary market, if any, and/or reduce your payments on the CDs.

If a Fund's Underlying Index has transitioned to a new Underlying Index or had material changes, it will limit the utility of available information about the performance of that Fund

If a Fund's Underlying Index has transitioned to a new Underlying Index or has had material changes, the historical performance of that Fund may be of limited use in evaluating that Fund's past performance, as there is limited historical information available to reflect that Fund's tracking of the new Underlying Index. The Fund's new Underlying Index could provide different investment returns (either lower or higher) or different levels of volatility than those of the former Underlying Index over any period of time.

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

Prices of Commodities are highly volatile

Commodity 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 significant users of Commodities

The price of any instrument(s) included in 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 significant 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(s) included in the Reference Asset and, thus, the market value of the CDs.

Suspensions or disruptions of market trading in the commodity markets and related futures may adversely affect the payment depositors 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.

Depositors will not have any rights to receive the Reference Asset

Investing in the CDs will not make a depositor a holder of any Commodity or futures contract relating to a Reference Asset. The CDs will be paid solely in cash, and depositors will have no right to receive delivery of any Commodity or futures contract relating to a Reference Asset.

Depositors will not benefit from any U.S. or non-U.S. regulatory authority's regulatory protections afforded to persons who invest in regulated commodity pools

The net proceeds to be received by the Bank 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 the benefit of depositors. A deposit in 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 a depositor in the futures contracts), and a depositor will not benefit from the regulatory protections of the Commodity Futures Trading Commission (the "CFTC"). The Bank is not registered with the CFTC as a futures commission merchant and depositors will not benefit from the CFTC'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 CFTC 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 CFTC as a commodity pool, the Bank will not be registered with the CFTC as a commodity pool operator, and depositors will not benefit from the CFTC's or any non-U.S. regulatory authority's regulatory protections afforded to persons who invest in regulated commodity pools.

A futures exchange may replace or delist a futures contract included in a Reference Asset

The Reference Index Sponsor for an Index of commodities futures contracts may, upon certain events, have to replace a delisted commodity contract. There can be no assurance that the replacement or delisting of a commodity contract will not have an adverse or distortive effect on the value of the Reference Asset or the manner in which it is calculated and, therefore, may have any adverse impact on the market value of the CDs.

Higher future prices of futures contracts included in a Reference Asset relative to their current prices may have a negative effect on the level or price of the Reference Asset, and therefore the market value of the CDs

Commodity Indices generally reflect movements in commodity prices by measuring the value of futures contracts for the applicable Commodities. To maintain the Reference Asset, as futures contracts approach expiration, they are replaced by similar contracts that have a later expiration. This process is referred to as "rolling." The level or price of the Reference Asset is calculated as if the expiring futures contracts are sold and the proceeds from those sales are used to purchase longer-dated futures contracts. The difference in the price between the contracts that are sold and the new contracts for more distant delivery that are purchased is called "roll yield."

If the expiring futures contract included in the Reference Asset is "rolled" into a less expensive futures contract with a more distant delivery date, the market for that futures contract is trading in "backwardation." In this case, the effect of the roll yield on the level or price of the Reference Asset will be positive because it costs less to replace the expiring futures contract. However, if the expiring futures contract included in the Reference Asset is "rolled" into a more expensive futures contract with a more distant delivery date, the market for that futures contract is trading in "contango." In this case, the effect of the roll yield on the level or price of the Reference Asset will be negative because it will cost more to replace the expiring futures contract.

There can be no assurance that the markets for any futures contracts included in a Reference Asset will consistently be in backwardation or that there will be a positive roll yield that will increase the level or price of the Reference Asset. If all other factors remain constant, the presence of contango in the market for a futures contract could result in negative roll yield, which could decrease the level or price of the relevant Reference Asset and the market value of the CDs.

Risks relating to trading of the instrument(s) included in the Reference Asset on international 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.

ADDITIONAL RISKS RELATING TO CDS THAT ARE INDEXED TO A FOREIGN CURRENCY OR WITH A REFERENCE ASSET THAT IS A FOREIGN CURRENCY OR A CONTRACT OR AN INDEX RELATING TO A FOREIGN CURRENCY

Changes in foreign exchange rates and foreign exchange controls could result in a substantial loss to depositors

A deposit in CDs that have the Variable Amount indexed to a specified currency or currencies entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Risks include, without limitation, the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. These risks generally depend on factors over which the Bank has no control, such as economic and political events or the supply of and demand for the relevant currencies. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility could occur again in the future.

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 the Bank 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, market value and amount depositors 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 market value and the payment depositors 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.

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

Depositors 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 Rate, there will be significant risks not associated with a conventional fixed-rate CD or debt security. These risks include fluctuation of the Rate and the possibility that, in the future, depositors will receive a Variable Amount representing a lesser amount of interest than might have been earned at the Rate in effect at the time depositors purchase the CDs or no Variable Amount at all. The Bank has no control over a number of factors 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 the Bank or another issuer with the same credit rating

Because the Reference Asset will be comprised of or based in part on a Rate, depositors may receive a Variable Amount that is less than the rate of interest on CDs (or debt securities) with the same maturity issued by the Bank 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 Reference Asset falls within a particular range of values (a “range CD”) or if the Reference Asset’s value is higher or lower than a specified amount. Depositors should consider the risk that the Variable Amount calculation methods 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 on a conventional fixed-rate or floating-rate CD issued by the Bank at the same time and with the same maturity. For example, a range CD may provide that if the value of the relevant Reference Asset 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 (the "CPI") 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, depositors may not receive any payments of Variable Amounts for the applicable interest period.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS 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 ordinary debt securities in that interest on the CDs is linked to changes in the level of the CPI. The Bank has no control over fluctuations in the value of the CPI, and such fluctuations may result in no Variable Amounts being payable on the CDs for any given measurement period.

The Variable Amount on the CDs may be below the rate otherwise payable on conventional fixed-rate or floating-rate CDs or debt securities with similar maturities and issuance dates as the CDs issued by the Bank 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 conventional fixed-rate or floating-rate CDs or debt securities with the same maturity date and issuance date as the CDs and issued by the Bank (or an issuer with the same credit rating). The Bank has no control over fluctuations in the value of the CPI.

The CPI may be discontinued or 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 market value of the CDs, may be significantly reduced. The Bank has no control over the way the CPI is calculated. If the CPI is substantially altered, a substitute index may be used to calculate the Variable Amounts payable on the CDs, and this may adversely affect the market 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 the Bank has no control.

ADDITIONAL RISKS RELATING TO CDS THAT 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 market 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

A depositor's 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 the 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 payment at maturity for each CD will be limited to the sum of (i) the principal

amount of the CD and (ii) the product of the principal amount of the CD *multiplied by* the 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 INCLUDED IN 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. An investment in such CDs may carry risks similar to a concentrated investment in a limited number of industries or sectors.

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

Increases in the value of one or more of the instruments included in 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 included in the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors and the market value of the CDs will be impacted by price movements in that sector

If the Reference Asset is highly concentrated in one or more industries or economic sectors, price movements in these industries or sectors, including movements in the prices or levels of assets in these industries or sectors (including the prices or levels of securities or other instruments included in the Reference Asset), may impact the market value of the CDs.

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 advisers as to the risks associated with 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(s) 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, Reference Issuers or Reference Fund Sponsors of the Indices or Shares or of any sponsor or issuer of the instrument(s) underlying the Reference Asset. The Reference Index Sponsors, Reference Issuers and Reference Fund Sponsors of the Indices and Shares and any sponsor or issuer of the instrument(s) 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. 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 market 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(s) included in the Reference Asset, in option or futures contracts relating to such instrument(s) listed on major securities or futures markets, in other types of derivative instruments relating to such instrument(s), 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(s) included in the Reference Asset, options or futures contracts relating to such instrument(s) listed on major securities or futures markets, other types of derivative instruments relating to such instrument(s) 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(s) included in 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 is 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 depositor is urged to discuss with his or her attorney the insurance coverage afforded to any CD that it may purchase.

- The CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund, which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount for all deposits held in the same ownership capacity per depository institution, which is currently $250,000.

- *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 (either with or without accrued interest having been added to the principal 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 his or her 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, by letter (Federal Deposit Insurance Corporation, Attn: Deposit Insurance Section, (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)) or by e-mail (using the FDIC's Customer Assistance Form available at www2.fdic.gov/starsmail 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 holders or to holders 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; holders that hold their CDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; holders 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. This summary assumes that the issue price of the CDs, as determined for U.S. federal income tax purposes, equals the principal amount thereof.

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.

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.

Furthermore, the Bank will not attempt to ascertain whether a Reference Asset or any of the entities whose stock is included in, or owned by, a Reference Asset, as the case may be, 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 a Reference Asset or one or more of the entities whose stock is included in, or owned by, a Reference Asset, as the case may be, were so treated, certain adverse U.S. federal income tax consequences might apply. You should refer to information filed with the SEC and other authorities by the Reference Asset and the entities whose stock is included in, or owned by a Reference Asset, as the case may be, and consult your tax advisor regarding the possible consequences to you if a Reference Asset or one or more of the entities whose stock is included in, or owned by, a Reference Asset, as the case may be, is or becomes a PFIC or a USRPHC.

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 holders 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, 10th 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 holders 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, 10th 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 his or her 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 his or her own projected payment schedule in connection with his or her 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 his or her 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 advisers 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.

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

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 advisers regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the CDs.

Tax Treatment of Non-U.S. Holders

In general, subject to the discussion below, 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.

However, a "dividend equivalent" payment is treated as a dividend from sources within the United States 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 U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, Internal Revenue Service guidance provides that withholding on "dividend equivalent" payments (as discussed in the product supplement), if any, will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Because the Bank does not expect the CDs to be delta-one instruments, Non-U.S. Holders should not be subject to withholding on dividend equivalent payments, if any, under a CD that is issued before January 1, 2019. However, it is possible that a CD issued before January 1, 2019, could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting a Reference Asset or a CD, and following such occurrence a CD could be treated as subject to withholding on dividend equivalent payments. Non-U.S. Holders that enter, or have entered, into other transactions in respect of a Reference Asset or a CD should consult their tax advisers as to the application of the dividend equivalent withholding tax in the context of a CD and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable paying agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

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 his or her correct taxpayer identification number on 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 his or her 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 may 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.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") imposes 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 U.S. Treasury Department to collect and provide to the U.S. 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 generally apply to U.S. source periodic payments made after June 30, 2014. The U.S. Treasury Department and the IRS have announced that withholding on payments of gross proceeds from sale, exchange, redemption, or other disposition will only apply to dispositions after December 31, 2018. If the Bank determines withholding is appropriate with respect to the CDs, the Bank will withhold tax at the applicable statutory rate, and the Bank will not pay any additional amounts in respect of such withholding. Prospective holders are urged to consult with their own tax advisers regarding the possible implications of FATCA on their investment in the CDs.

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.

In addition, any purchaser that is a Plan or that is acquiring the CDs on behalf of a Plan, and any fiduciary purchasing or making the decision to purchase on behalf of a Plan, will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the CDs that (a) neither the Bank, nor any underwriter, dealer or agent, nor any of their affiliates (collectively, "Seller") has provided any advice or recommendation with respect to the management of any interest in the CD(s) or the advisability of acquiring, holding, disposing or exchanging any interest in the CD(s), (b) the Seller has not directed any such advice specifically to, or rendered any such advice based on the particular needs of, any such Plan or fiduciary, (c) the Seller has not provided advice that has formed a primary basis for any investment decision by or on behalf of such purchaser in connection with the CDs and the transactions contemplated with respect to the CDs, (d) such purchaser recognizes and agrees that any communication from the Seller to the purchaser with respect to the CDs is not intended by the Seller to be impartial investment advice and is rendered in its capacity as a seller of such CDs and not a fiduciary to such purchaser, and (e) the Seller is not otherwise a "fiduciary" (under Section 3(21) of ERISA, or under any final or proposed regulations thereunder, or with respect to a governmental, church, or foreign plan under any Similar Law) with respect to the

acquisition, holding or disposition of the CDs, or as a result of any exercise by the Seller of any rights in connection with the CDs.

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.