



HSBC Bank USA, N.A.

U.S.\$40,000,000,000

**Global Bank Note Program
for the Issue of Senior and Subordinated Notes**

In accordance with this Global Bank Note Program (the “Program”), HSBC Bank USA, National Association, McLean, Virginia (the “Bank”), acting through its principal office in Buffalo, New York, its principal office in New York City or one of its offshore branches, may from time to time issue and sell up to U.S.\$40,000,000,000 aggregate principal amount (or the equivalent thereof in other currencies, calculated as described herein) at any time outstanding of its senior global bank notes with maturities of seven days or more from their respective dates of issue (the “Senior Notes”) and its subordinated global bank notes with maturities of five years and one day or more from their respective dates of issue (the “Subordinated Notes” and, together with the Senior Notes, the “Notes”), subject to statutory or regulatory limitations on maturity applicable to the currency in which the Notes are denominated; provided, however, that the aggregate principal amount of Notes with maturities greater than 270 days that may be issued hereunder cannot exceed U.S.\$40,000,000,000 or the equivalent thereof in other currencies. The Notes may be subject to redemption at the option of the Bank or repayment at the option of the holder thereof, in each case, in whole or in part, prior to maturity, as set forth herein or in a final terms hereto (each, a “Final Terms”), a pricing supplement hereto (each, a “Pricing Supplement”) or a program supplement hereto (each, a “Program Supplement”). In addition, Notes may be redeemed, in whole but not in part, in the event of certain changes involving taxation. See “Description of Notes.” Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, with respect to a series of Notes, the Notes will not be listed on any securities exchange.

The Notes are not savings or deposit accounts of the Bank or obligations of the Bank’s parent, HSBC USA Inc. (“HSBC USA”), or any other affiliate of the Bank. Neither the Federal Deposit Insurance Corporation (the “FDIC”) nor any other government agency has insured the Notes. Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, with respect to a series of Notes, the Notes will be offered by the Dealers in any initial offering hereunder only (i) to “accredited investors” within the meaning of Rule 501 under the United States Securities Act of 1933 (the “Securities Act”) and in compliance with an exemption from the registration requirements of the Office of the Comptroller of the Currency (the “OCC”) under 12 C.F.R. Part 16.6, (ii) accredited investors within the meaning of Rule 501 under Securities Act in reliance on Regulation D under the Securities Act and an exemption from the registration requirements of the OCC under 12 C.F.R. Part 16.7 or (iii) outside the United States in compliance with Regulation S (“Regulation S”) under the Securities Act. Each owner of a beneficial interest in a Note offered pursuant to clause (i) of the preceding sentence will be required to hold such beneficial interest in a minimum principal amount of U.S.\$250,000 or the equivalent thereof in other currencies, calculated as described herein, and subject to any other statutory or regulatory minimums as described herein. Unless otherwise provided in the applicable Final Terms or Pricing Supplement, Notes offered as described in clauses (i) or (ii) of the second preceding sentence will be offered to institutional investors that are accredited investors. Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold outside the United States will be subject to a minimum denomination of €100,000, and integral multiples of €1,000 in excess thereof (or its equivalent in other currencies), and to certain restrictions on transfer. See “Notice to Investors,” “Description of Notes—General,” “Plan of Distribution” and “Selling Restrictions.”

The Bank and certain of the Dealers who may effect sales of Notes in Canada are indirect subsidiaries of HSBC Holdings plc. By virtue of such common ownership, the Bank is a “related issuer” and may be a “connected issuer,” as such terms are defined in National Instrument 33-105 Underwriting Conflicts, of such Dealers. Canadian investors should refer to the heading “Certain Relationships and Related Transactions” contained in “Selling Restrictions — Canada” for additional information.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE “RISK FACTORS” ON PAGE 9 FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES THAT MAY BE OFFERED HEREBY.

Conflict of Interest: HSBC Securities (USA) Inc. is an affiliate of the Bank. See “Plan of Distribution.”

The Senior Notes will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Bank, except obligations, including domestic deposits, that are subject to any priorities or preferences by law. In an insolvency of the Bank, the holders of Senior Notes could be treated differently from, and could receive a significantly lesser proportion of the claims evidenced by their Notes than, holders of domestic deposit obligations of the Bank.

The Subordinated Notes will be subordinated to the claims of depositors and general creditors of the Bank, including claims of holders of Senior Notes, to the extent described herein, will be ineligible as collateral to secure a loan from the Bank and will be unsecured. ***Payment of principal of the Subordinated Notes may be accelerated only in the case of the Bank’s insolvency or liquidation, and then, to the extent required under or pursuant to applicable capital regulations, only with the prior approval of the OCC.*** There is no right of acceleration in the case of a default in the payment of interest on the Subordinated Notes or in the performance of any other obligation of the Bank under the Subordinated Notes. The Bank may defer the payment of any installment of interest or principal on the Subordinated Notes in the manner described under “Description of the Notes—Ranking—Subordinated Notes.”

The Notes may be offered in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. The Dealers will purchase the Notes, as principal, from the Bank for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Dealer, or, if so specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, for resale at a fixed public offering price. If agreed by the Bank and the applicable Dealer, such Dealer may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes. See “Plan of Distribution.”

THE NOTES HAVE NOT BEEN, AND ARE NOT REQUIRED TO BE, REGISTERED UNDER THE SECURITIES ACT. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “COMMISSION”), ANY STATE SECURITIES COMMISSION OR THE OCC NOR HAS THE COMMISSION, ANY STATE SECURITIES COMMISSION OR THE OCC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

HSBC Securities (USA) Inc., or other affiliates of the Bank, may use this Offering Circular in connection with offers and sales related to market-making activities. HSBC Securities (USA) Inc. may act as principal or agent in such transactions. Such sales will be made at negotiated prices related to prevailing market prices at the time of sale.

The Notes are being offered on a continuing basis for sale by the Bank through the Dealers. The Bank also has reserved the right to sell Notes directly to investors on its own behalf and to appoint other Dealers and agents in addition to the Dealers. The Bank reserves the right to cancel or modify the offer made hereby without notice. The Bank or a Dealer, if it solicits the offer on an agency basis, may reject any offer to purchase Notes in whole or in part. See “Plan of Distribution.”

Notes issued under the Program may be rated or unrated. Where a Series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

HSBC

U.S. Dealer
HSBC Securities (USA) Inc.

International Dealer
HSBC Bank plc

September 27, 2013

This Offering Circular is to be read in conjunction with all documents that are incorporated herein by reference. See “Available Information and Documents Incorporated by Reference.” This Offering Circular should be read and construed on the basis that such documents are so incorporated and form a part hereof.

The Dealers have not independently verified the information contained in this Offering Circular or in any Program Supplement, Pricing Supplement or Final Terms hereto. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Offering Circular or any Program Supplement, Pricing Supplement or Final Terms hereto or any other information provided by the Bank in connection with the Notes.

Neither this Offering Circular nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank or the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank and the Bank’s affiliates. Neither this Offering Circular nor any other information supplied in connection with the Notes constitutes an offer of or an invitation by or on behalf of the Bank or any Dealer to any person to subscribe for or purchase any of the Notes.

Notes offered pursuant to Regulation S have not been and will not be registered under the regulations of the OCC relating to securities offered by national banks and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to a U.S. person.

No action has been taken by the Bank or any of the Dealers that would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction outside of the United States where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. Neither the Bank nor any of the Dealers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption therefrom, or assumes any responsibility for facilitating any such distribution or offering. In particular, there are further restrictions on the distribution of this Offering Circular and the offer, stabilization or sale of the Notes in the United States, United Kingdom, Canada, Hong Kong, Italy, Japan and Singapore. See “Selling Restrictions.”

In this Offering Circular, references to “U.S.\$” and “U.S. Dollars” are to United States dollars, references to “Euro” and “€” are to the currency of the European Economic and Monetary Union, references to “Yen” and “¥” are to Japanese yen and references to “Sterling” and “£” are to United Kingdom pounds sterling.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilizing manager(s) (or persons acting on behalf of any stabilizing manager(s)) (“Stabilizing Manager(s)”) in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) in accordance with all applicable laws and rules.

NOTICE TO INVESTORS

The Notes have not been, and are not required to be, registered with the Commission pursuant to the Securities Act. Qualification of an indenture under the Trust Indenture Act of 1939 is not required and no trust indenture has been entered into in connection with the Notes. The Notes are exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(2) of the Securities Act. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Notes are being offered and sold only (i) pursuant to the abbreviated securities registration procedure of the OCC set forth in Part 16.6 of the OCC’s securities offering regulations (12 C.F.R. Part 16.6) to “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act (“accredited investors”), and each beneficial owner of a global note will be required to hold such beneficial interest in a principal amount of U.S.\$250,000 (or the equivalent thereof in other currencies), (ii) pursuant to an exemption from registration provided by Part 16.7 of the OCC’s securities offering regulations (12 C.F.R. Part 16.7) to accredited investors in accordance with Regulation D under the Securities Act in minimum denominations to be specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, or (iii) outside the United States in compliance with Regulation S under the Securities Act. Unless otherwise provided in the

applicable Final Terms or Pricing Supplement, Notes offered as described in clauses (i) or (ii) of the preceding sentence will be offered to institutional investors that are accredited investors, within the meaning of Rule 501(a)(1), (2), (3), or (7) of Regulation D under the Securities Act (“institutional accredited investors”).

Each purchaser of Notes offered and sold pursuant to (i) above, in making its purchase, will be deemed to have represented and agreed with the Bank that it is an accredited investor or an institutional accredited investor, as applicable, that it is purchasing such Notes for its own account or the account of one or more other accredited investors or institutional accredited investors, as applicable, and that it, or each of such other accredited investors or institutional accredited investors, as applicable, owning a beneficial interest in such Notes, will hold a beneficial interest therein in a principal amount of not less than U.S.\$250,000 (or the equivalent thereof in other currencies) at all times. Each purchaser of Notes offered and sold pursuant to (ii) above, in making its purchase, will be deemed to have represented and agreed with the Bank that it is an accredited investor or an institutional accredited investor, as applicable, and that it is purchasing such Notes for its own account or for the account of one or more other accredited investors or institutional accredited investors, as applicable. Each purchaser of Notes being sold pursuant to Regulation S, in making its purchase, will be deemed to have represented and agreed with the Bank that it is a non-U.S. person (as defined in Regulation S) and is acting in reliance upon Regulation S under the Securities Act. Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold outside the United States will be subject to a minimum denomination of €100,000, and integral multiples of €1,000 in excess thereof (or its equivalent in other currencies). See “Transfer Restrictions” for more information.

In making an investment decision, investors must rely on their own examination of the Bank and the terms of the offering of Notes, including the merits and risks involved.

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The Bank has not authorized anyone to provide you with information different from that contained in this Offering Circular. The distribution of this Offering Circular or the Notes in certain jurisdictions may be restricted by law. Persons who receive this Offering Circular should inform themselves about and observe any such restrictions. This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized. This Offering Circular does not constitute an offer by any person not qualified to make such offer or solicitation or to any person to whom it is unlawful to make such offer or solicitation. See “Plan of Distribution.” The information contained in this Offering Circular is accurate only as of the date of this Offering Circular regardless of the time of delivery of this Offering Circular or any sale of the Notes.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

The Offering Circular and the additional information described under the heading “Available Information and Documents Incorporated by Reference” may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “will,” “should,” “would,” “could,” “appears,” “believe,” “intends,” “expects,” “estimates,” “targeted,” “plans,” “anticipates,” “goal” and similar expressions include the information concerning possible or assumed future results of operations set forth under “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in HSBC USA’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future financial condition, economic forecast, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement to reflect subsequent circumstances or events, except to the extent required by law.

AVAILABLE INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

The Bank submits to the FDIC certain reports entitled “Consolidated Reports of Condition and Income for a Bank with domestic and Foreign Offices” (each, a “**Call Report**” and collectively, the “**Call Reports**”). Each Call Report consists of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which the Call Report relates. The Bank’s Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council (“**FFIEC**”). While the Call Reports are supervisory and regulatory documents, and do not provide a complete range of financial disclosure about the Bank, the Call Reports nevertheless provide important information concerning the Bank’s financial condition. The publicly available portions of the Bank’s Call Reports, and any amendment or supplement thereto, for the quarterly periods in 2010, 2011 and 2012, the quarterly periods ended March 31, 2013 and June 30, 2013, and the quarterly periods subsequent to June 30, 2013 (the “**Quarterly Call Reports**”) are incorporated herein by reference. The publicly available portions of the Bank’s Call Reports are on file with, and publicly available at, the Federal Deposit Insurance Corporation, 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, a Maryland corporation and a registered bank holding company. HSBC USA is subject to the informational requirements of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and, in accordance therewith, files reports and other information with 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. The following documents filed by HSBC USA with the Commission are also incorporated herein by reference:

- Annual Report on Form 10-K for the year ended December 31, 2012;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013;
- Current Reports on Form 8-K filed February 4, 2013, April 29, 2013, May 7, 2013 and September 24, 2013; and
- any filings of HSBC USA made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Offering Circular and prior to the termination of the offering of Notes pursuant to the Program.

Any statement contained herein or in a document, all or the relevant portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document, all or the relative portion of which is also incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Offering Circular.

Each person to whom a copy of this Offering Circular is delivered may request a copy of any or all of the documents incorporated by reference herein, at no cost, by writing or telephoning at the following address: HSBC USA Inc., c/o Corporate Secretary, 26525 N. Riverwoods Blvd., Mettawa, Illinois 60045, (224) 544-2953.

SUMMARY OF TERMS AND CONDITIONS OF THE PROGRAM AND THE NOTES

This summary must be read as an introduction to this Offering Circular. Any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. The following summary does not purport to be complete and is taken from, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Offering Circular, including the documents incorporated by reference herein. Terms defined under “Description of Notes” herein shall have the same meanings in this summary. This Offering Circular sets forth the general terms of the Notes; the applicable Program Supplement, if any, and the applicable Final Terms or Pricing Supplement will describe the particular terms of any issue of Notes and the extent to which, if any, any of the general terms or other information contained in this Offering Circular do not apply to particular Notes or have otherwise been supplemented or modified. If any terms described in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, are inconsistent with those herein, the terms described in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, will control.

Issuer:	HSBC Bank USA, National Association, acting through its principal office in Buffalo, New York, its principal office in New York City or one of its offshore branches, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.
Description:	Global Bank Note Program for the issue of Senior Notes due seven days or more from the date of issue and Subordinated Notes due five years and one day or more from the date of issue.
Arranger:	HSBC Securities (USA) Inc.
Dealers:	U.S. Dealer: HSBC Securities (USA) Inc. International Dealer: HSBC Bank plc The Bank may also sell Notes directly to investors on its own behalf and may appoint other dealers and agents in addition to the Dealers. Notes may be distributed on a syndicated basis, in which case the applicable Final Terms or Pricing Supplement will identify the dealers constituting the syndicate, or on a non-syndicated basis. HSBC Securities (USA) Inc. and HSBC Bank plc are affiliates of the Bank. See “Plan of Distribution.”
Issuing and Principal Paying Agent and Registrar:	HSBC Bank USA, National Association
London Issuing Agent, Paying Agent and Transfer Agent:	HSBC Bank plc
Amount:	Up to U.S.\$40,000,000,000 aggregate principal amount (or the equivalent thereof in other currencies, calculated as described herein) at any time outstanding; provided, however, that the aggregate principal amount of Notes with maturities greater than 270 days that may be issued hereunder cannot exceed U.S.\$40,000,000,000 or the equivalent thereof in other currencies. The Bank may at any time increase the maximum aggregate principal amount of the Notes that may be outstanding at any time pursuant to the Program.
Ratings:	Notes issued under the Program may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Currencies:	Subject to applicable laws and regulations, such currencies as may be agreed between the Bank and the initial purchaser(s), as indicated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. An investment in Notes that are denominated in, or the payment of which is related to the value of, a currency other than the currency of the country in which a purchaser is resident or the currency in which a purchaser conducts its business entails significant risks. See “Risk Factors—Risk Factors Related to the Market—Notes denominated in, or related to the value of, currency other than the currency of the country in which the purchaser is resident or conducts business carry risks associated with exchange rate, and

exchange controls.”

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations restrictions or reporting requirements from time to time. See “Selling Restrictions.”

Unless permitted by then current laws, regulations and directives, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Bank in the United Kingdom and which have a maturity of less than one year will only be issued if (a) the redemption value of each such Note is not less than £100,000 as determined at the time of issuance or an amount of equivalent value denominated wholly or partly in a currency other than Sterling, (b) no part of any Note may be transferred unless the redemption value of that part is not less than £100,000, or such an equivalent amount, and (c) they are issued to a limited class of professional investors, unless the relevant Note(s) can be issued and sold without contravention of section 19 of the FSMA.

Redenomination:	The applicable Final Terms, Pricing Supplement or Program Supplement, if any, may provide that Notes denominated in the currency of a country that subsequently participates in the European Economic and Monetary Union may be subject to redenomination of such Notes in Euro. In such event, the relevant provisions applicable to such redenomination will be contained in such Final Terms, Pricing Supplement or Program Supplement, if any.
Maturities:	Any maturity seven days or more from the date of issue, as indicated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, except in the case of Subordinated Notes, which will have minimum maturities of five years and one day from the date of issue. Notes denominated in other currencies will have such other minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or equivalent body (however designated) or any laws or regulations applicable to the Bank or the currency in which the relevant Notes are denominated.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price that is equal to or at a discount to, or premium over, par, as indicated in the applicable Final Terms or Pricing Supplement.
Form of Notes and Clearance:	<p>The Notes may be offered in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Depending on where the relevant Notes are offered, the Notes will clear through one or more of The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V. (“Euroclear,” which term shall include any successor thereto), Clearstream Banking, société anonyme (“Clearstream, Luxembourg,” which term shall include any successor thereto), and any other clearing system approved by the Bank and specified in the applicable Final Terms or Pricing Supplement.</p> <p>Notes which are sold pursuant to an offering made in the United States only will be issued in global registered form and will clear through DTC. Such Notes will be represented by one or more DTC Global Notes deposited with the corporate trust department of the Bank as custodian for, and registered in the name of a nominee of, DTC. Notes represented by DTC Global Notes will trade in DTC’s Same-Day Funds Settlement System and secondary market trading activity in such Notes will therefore settle in immediately available funds.</p> <p>Notes which are sold pursuant to an offering made outside the United States only will be issued in global registered form. Notes issued in global</p>

registered form may clear through one or more of Euroclear, Clearstream, Luxembourg and any other approved clearing system specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Such Notes will be represented by one or more Registered Global Notes deposited with HSBC Bank plc as common depositary for, and registered in the name of a nominee on behalf of, Euroclear, Clearstream, Luxembourg and any such other approved clearing system.

As described above, the Notes may be sold pursuant to an offering made outside the United States only to non-U.S. persons pursuant to Regulation S. In that event, the Notes will be represented initially by one or more Temporary Registered Global Notes which will be deposited on the Original Issue Date thereof with HSBC Bank plc as common depositary for Euroclear, Clearstream, Luxembourg and any other approved clearing system and which will be exchangeable for one or more Permanent Registered Global Notes not earlier than 40 days after the Original Issue Date thereof upon certification of non-U.S. beneficial ownership.

The Notes may be sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering, which Notes will be issued in global registered form and may clear through one or more of DTC, Euroclear and Clearstream, Luxembourg. Such Notes may be represented solely by one or more DTC Global Notes deposited with the corporate trust department of the Bank as custodian for, and registered in the name of a nominee of, DTC or, alternatively, by one or more DTC Global Notes so deposited and registered in respect of Notes sold in the United States, and a separate Registered Global Note deposited with HSBC Bank plc as common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg in respect of Notes sold outside the United States.

Ownership of beneficial interests in Registered Global Notes will be evidenced only by, and transfers thereof will be effected only through, records maintained by the clearing system through which such interests are held and its direct and indirect participants. Except as described under “Description of Notes—Form of Notes and Registration,” owners of beneficial interests in Registered Global Notes will not be entitled to receive physical delivery of Notes in definitive form. Any interest in a Temporary Registered Global Note or a Permanent Registered Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or such other approved clearing system through which such interest may be held.

Fixed Rate Notes:

Interest on Fixed Rate Notes having maturities of greater than one year will be payable in arrears on the date or dates specified in the applicable Final Terms, Pricing Supplement or the Program Supplement, if any. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on Fixed Rate Notes with maturities of one year or less will be payable only at maturity.

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on Fixed Rate Notes with maturities of greater than one year will be computed on the basis of a 360-day year of twelve 30-day months and interest on Fixed Rate Notes with maturities of one year or less will be computed on the basis of the actual number of days elapsed divided by 360. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on all Fixed Rate Notes denominated other than in U.S. dollars will be computed using the “Actual/Actual (ISMA)” Fixed Day Count Convention.

Floating Rate Notes:

Floating Rate Notes will bear interest determined by reference to either (i) an ISDA Rate or (ii) one or more of the CMT Rate, the Commercial Paper Rate,

the Eleventh District Cost of Funds Rate, the CD Rate, the Federal Funds Rate, LIBOR, EURIBOR, the Prime Rate, the Treasury Rate or such other interest rate basis or bases or interest rate formula as may be set forth in the applicable Final Terms or applicable Pricing Supplement.

The applicable Final Terms or applicable Pricing Supplement will specify the basis for determining interest on the related Floating Rate Notes and the Spread and/or Spread Multiplier, if any, applicable thereto, the Maximum Interest Rate and/or Minimum Interest Rate, if any, and certain additional terms with respect thereto, including, if interest will be determined on the basis of a reference rate, whether such Notes are “Regular Floating Rate Notes,” “Floating Rate/Fixed Rate Notes” or “Inverse Floating Rate Notes.”

Interest on Floating Rate Notes will be computed in the manner and payable on the dates described under “Description of Notes—Floating Rate Notes.”

Dual Currency Notes:

Payments (whether with respect to principal, premium, if any, or interest and whether at maturity or otherwise) with respect to Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Bank and the initial purchaser(s) may agree, as indicated in the applicable Final Terms or applicable Pricing Supplement.

Indexed Notes:

Payments (whether with respect to principal, premium, if any, or interest and whether at maturity or otherwise) with respect to Indexed Notes will be calculated by reference to such index and/or formula on which the Bank and the initial purchaser(s) may agree, as indicated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, which may include the price change or performance (on specific dates or periods) of an index based on the performance of financial assets, including but not limited to securities, baskets of securities, interest rates, indexes, options, futures, swaps, currencies, commodities, weather derivatives, credit derivatives, or any combination of the above, or any other financial asset not specified herein that the Bank and the initial purchaser(s) may select as a reference in order to determine the amount of principal, if any, interest, if any, or return, if any, payable on the Notes, from time to time.

**Original Issue Discount Notes
(including Zero Coupon Notes):**

Original Issue Discount Notes may be offered and sold at a discount to their principal amount and may bear interest at a fixed or floating rate or may be Zero Coupon Notes, which bear no interest except in respect of overdue principal. See “Description of Notes—Original Issue Discount Notes (including Zero Coupon Notes).”

Other Notes:

The Bank may issue other types of Notes, the terms of which will be specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, and may include discount notes, premium notes, installment notes, amortizing notes, accreting notes, total return notes or other forms of notes.

Payments:

The Bank will be obligated to make payments of principal of, and premium, if any, and interest on the Notes in the currency in which such Notes are denominated. Any such amounts to be paid by the Bank in respect of DTC Global Notes denominated other than in U.S. Dollars will, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, be converted into U.S. Dollars for payment to the holders thereof as described under “Description of Notes—Payment of Principal, Premium and Interest.” Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, payments of principal of, and premium, if any, and interest on, any other Registered Global Notes and Temporary Registered Global Notes will be made in the currency in which such Notes are denominated.

Redemption and Repayment: The applicable Final Terms, Pricing Supplement or Program Supplement, if any, will indicate whether the Notes of that Series will be subject to redemption at the option of the Bank (other than for tax reasons) or repayment at the option of the holder thereof prior to maturity. If no indication is made in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes of that Series will neither be subject to redemption at the option of the Bank (other than for tax reasons) nor repayment at the option of the holder thereof prior to maturity. In addition, Notes may be redeemed by the Bank, in whole but not in part, in the event of certain changes involving taxation.

To the extent then required under or pursuant to applicable capital regulations, Subordinated Notes may not be redeemed prior to maturity without the prior approval of the OCC. Unless otherwise indicated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Subordinated Notes may not be repaid at the option of the holder thereof prior to maturity.

Denomination of Notes: Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold to accredited investors in accordance with 12 C.F.R. 16.6 will be issued only in minimum denominations of U.S. \$250,000 and integral multiples of U.S. \$1,000 in excess thereof (or equivalent denominations in other currencies). Unless otherwise specified in the applicable Final Terms or Pricing Supplement, Notes sold to accredited investors in accordance with Regulation D under the Securities Act and 12 C.F.R. 16.7 will be issued in minimum denominations of \$250,000 and integral multiples of U.S.\$1,000 in excess thereof. Unless otherwise provided in the applicable Final Terms or Pricing Supplement, Notes offered and sold to accredited investors as described in either of the two preceding sentences will be offered and sold only to institutional accredited investors. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold outside the United States will be subject to a minimum denomination of €100,000, and integral multiples of €1,000 in excess thereof (or its equivalent in other currencies). See “Description of Notes—General.” Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Bank in the United Kingdom and which have a maturity of less than one year may be subject to restrictions on their denomination and distribution. See “Maturity” and “Currencies” above.

As described in “Plan of Distribution,” HSBC Securities (USA) Inc. is an affiliate of the Bank and may act as an underwriter in connection with the offer and sale of the Notes. Any such offering will be conducted in compliance with FINRA Rule 5121.

Further Issues: The Bank may from time to time, without notice to or the consent of the holders of any Series of Notes, create and issue further notes ranking *pari passu* with such Series of Notes and with identical terms in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes) in order that such further notes may be consolidated and form a single Series with such outstanding Series of Notes and have the same terms as to status, redemption or otherwise as such Series of Notes.

Taxation: All payments with respect to the Notes will be made without withholding or deduction at source for or on account of any taxes or other charges imposed by any governmental authority or agency in the United States, except as described under “Description of Notes—Additional Amounts.” All references herein to principal, premium and interest in respect of any Note shall, unless the context otherwise requires, be deemed to mean and include

all Additional Amounts, if any, payable in respect thereof as set forth in such Note or in the applicable Final Terms or applicable Pricing Supplement. See “Certain United States Federal Income Tax Considerations.”

- Status of the Notes:** The Notes are direct, unconditional and unsecured general obligations of the Bank, do not evidence deposits and are not insured by the FDIC or any other governmental entity of any jurisdiction. The Notes will be obligations solely of the Bank and will not be guaranteed by HSBC USA or any other affiliate of the Bank.
- Ranking of the Notes:** The obligations evidenced by the Senior Notes will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Bank, except obligations, including domestic deposits, that are subject to any priorities or preferences by law. In an insolvency of the Bank, the holders of Senior Notes could be treated differently from, and could receive a significantly lesser proportion of the claim evidenced by their Notes than, holders of domestic deposit obligations of the Bank. See “Supervision, Regulation and Other Matters” and “Description of Notes—Ranking.”
- Each Subordinated Note will be subordinated to the claims of depositors and general creditors of the Bank, including claims of holders of Senior Notes, to the extent described herein.
- The Notes will be ineligible as collateral to secure a loan from the Bank and will be unsecured. See “Description of Notes—Ranking.”
- Listing:** The Notes may be unlisted or may be listed, quoted and/or traded on or by any securities exchanges, listing authorities and/or quotation systems on which the Bank and the Dealers may agree in relation to each issuance. Each Final Terms, Pricing Supplement or Program Supplement, if any, will indicate whether or not (and, if so, on which securities exchanges, listing authorities or quotation systems) the Notes of that Series will be listed, quoted or traded. The Bank, in agreement with the relevant Dealers, may delist any listed Notes at any time in accordance with the rules and regulations of the applicable securities exchange or listing authority. As of the date of this Offering Circular, we have not applied for listing of this Program on any securities exchange.
- Governing Law:** The Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflicts of laws principles, and all applicable federal laws and regulations.
- Selling Restrictions:** Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Notes will be offered by the Dealers in any initial offering hereunder only (i) to accredited investors pursuant to Part 16.6 of the OCC’s securities offering regulations (12 C.F.R. Part 16.6), (ii) to accredited investors in accordance with Regulation D under the Securities Act and Part 16.7 of the OCC’s securities offering regulations (12 C.F.R. Part 16.7) or (iii) outside the United States in compliance with Regulation S under the Securities Act. Unless otherwise provided in the applicable Final Terms or Pricing Supplement, Notes offered as described in clauses (i) or (ii) of the preceding sentence will be offered to institutional accredited investors. Each owner of a beneficial interest in a Note being offered and sold as described in clause (i) of the second preceding sentence will be required to hold such beneficial interest in a minimum principal amount of U.S.\$250,000 or the equivalent thereof in other currencies, calculated as described herein, subject to other statutory or regulatory minimums as described herein. Each owner of a beneficial interest in a Note being offered and sold as described in clause (ii) of the third preceding sentence, in making its purchase, will be deemed to have represented and agreed with the Bank that it is an accredited investor or an institutional accredited investor, as applicable, and that it is purchasing such Notes for its own account or the account of one or more

other accredited investors or institutional accredited investors, as applicable. See “Transfer Restrictions” for more information. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold outside the United States will be subject to a minimum denomination of €100,000, and integral multiples of €1,000 in excess thereof (or its equivalent in other currencies). Certain additional restrictions will apply to sales made in the United Kingdom, Canada, Hong Kong, Italy, Japan and Singapore, and other restrictions may apply in connection with a particular issuance of Notes. See “Selling Restrictions.” Any such other restrictions will be set forth in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

RISK FACTORS

Investing in the Notes involves risk. Prospective investors should consult their own financial and legal advisors about risks associated with an investment in such Notes and the suitability of investing in such Notes in light of their particular circumstances. In particular, for certain Notes, including Notes where the amount payable or deliverable in respect thereof is determined by reference to one or more equity or debt securities, indices or other assets or basis of reference or is dependent on the credit performance of one or more specified entities, prospective investors will be subject to significant risks not associated with conventional fixed rate or floating rate debt securities. Prospective investors of the Notes should understand the risks of investing in the Notes and should reach their own investment decision, only after careful consideration with their advisors of the suitability of the Notes in light of their particular financial circumstances, the following risk factors, and the other information included or incorporated by reference in this Offering Circular and the applicable Final Terms, Pricing Supplement or Program Supplement, if any. The Bank has no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payments made on, the Notes. Prospective investors should not purchase the Notes unless they understand and can bear these investment risks.

Before investing in a specific Note issuance, prospective investors should also read the additional risk factors included in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Risks Related 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 Offering Circular, 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 Offering Circular. The Program Supplement, if any, the Pricing Supplement or the Final Terms applicable to each type or series of Notes we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of Notes we are offering under that Program Supplement, if any, Pricing Supplement or Final Terms.

Risks Related to the Notes and Program Generally

Each Holder must act independently. Because the Notes will not be issued pursuant to an indenture, each holder will be responsible for acting independently with respect to certain matters affecting such holder's Note, including, where applicable, accelerating the maturity thereof upon the occurrence of an Event of Default, enforcing any covenants contained therein and responding to any requests for consents, waivers or amendments.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment (either alone or with the help of a financial adviser) in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- thoroughly understand the terms of the relevant Notes and be familiar with the behavior of any relevant indices 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 its investment and its ability to bear the applicable risks.

Some Notes 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 potential investor should not invest in Notes that are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes

will perform under changing conditions, the resulting effect on the value of such Notes and the impact such investment will have on the potential investor's overall investment portfolio.

The Notes are not insured against loss by any third parties; an investor can depend only on the Bank's earnings and assets for payment and interest, if any, on the Notes.

The Notes will be solely the obligations of the Bank, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the Notes. Our parent will have no obligation to pay any amount in respect of the Notes or to make any funds available for payment of the Notes.

Additional Risks Related to Particular Series of Notes

Unless the terms of your Notes specify the return of principal or a minimum return, an investor may lose its entire investment. There can be no assurance of the receipt of any amount at maturity. The payment at maturity may be based on changes in the value of the instrument or instruments or other measure specified in the Final Terms or Pricing Supplement to which the Notes are linked (the "**Reference Asset**"), which fluctuate and cannot be predicted. Although historical data with respect to the Reference Asset or any instrument comprising the Reference Asset may be available, the historical performance of the Reference Asset or any of the instruments comprising the Reference Asset should not be taken as an indication of future performance. No assurance can be given, and none is intended to be given, that any return will be achieved on the Notes.

There may not be any secondary market for the Notes. Upon issuance, the Notes will not have an established trading market. There can be no assurance that a trading market for the Notes will develop or, if one develops, that it will be maintained. Although the Bank may apply to list certain issuances of Notes on a securities exchange, it is under no obligation to do so. In addition, in the event that the Bank applies for listing, it may not meet the relevant requirements. The Bank does not expect to announce, prior to the pricing of the Notes, whether it will meet such requirements. Even if there is a secondary market, it may not provide significant liquidity. While the Bank anticipates that the Dealer will act as a market maker for the Notes, the Dealer is not required to do so. If the Notes are not listed on any securities exchange and the Dealer was to cease acting as a market maker, it is likely that there would be no secondary market for the Notes. Prospective investors therefore must be willing and able to hold the Notes until maturity. In addition, Notes sold to accredited investors in accordance with Regulation D and Part 16.7 of the OCC's securities offering Regulations (12 C.F.R. Part 16.7) are subject to significant transfer restrictions. See "Selling Restrictions" and "Transfer Restrictions."

The Bank's obligations under Subordinated Notes will be unsecured and subordinated. Subject to applicable law, in any voluntary or involuntary liquidation or bankruptcy of the Bank the rights of the holder of any Note shall be subordinated in right of payment to the claims of the Bank's obligations to its depositors, the Bank's obligations under bankers' acceptances and letters of credit and the Bank's obligations to its other creditors, including its obligations to any Federal Reserve Bank and the FDIC. Also, if an Event of Default shall occur and be continuing, holders of Senior Notes may declare those Notes in default and accelerate the due date of those Notes. Acceleration of the Senior Notes may adversely impact the Bank's ability to pay obligations on Subordinated Notes. Payment of principal on the Subordinated Notes may be accelerated only in the case of the Bank's insolvency or liquidation, and then, to the extent required under or pursuant to applicable capital regulations, only with the prior approval of the OCC. There is no right of acceleration in the case of a default in the payment of interest on the Subordinated Notes or in the performance of any other obligation of the Bank under the Subordinated Notes. The Bank may defer the payment of any installment of interest or principal on the Subordinated Notes in the manner described under "Description of the Notes—Ranking—Subordinated Notes."

Investors may be required to pay fees in connection with their investment in the Notes. Investors may be required to pay an additional amount per Note (as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any) as a commission for services rendered by any of the Dealers in connection with their initial purchase of the Notes. In addition, to the extent an investor requests that a Dealer execute a secondary market-making transaction for any of his or her Notes (and the Dealer agrees to do so), the Bank and the Dealers may receive a fee in connection with such secondary market-making transaction in addition to any bid-ask spread. To the extent that the applicable Final Terms, Pricing Supplement or Program Supplement, if any, allows investors to redeem the Notes prior to Maturity, an investor may be required to pay a fee in connection with its early redemption of the Notes. As a consequence of these fees, an investor may receive, by executing a market-making transaction or an early redemption, less than the full performance of the Reference Asset that the Notes are linked to.

Investors' yield may be lower than the yield on a standard debt security of comparable maturity. Periodic payments of interest on the Notes, if any, may be lower than interest payments an investor would receive by investing in a conventional fixed rate or floating rate debt security having the same maturity date and issuance date as the Notes. The effective yield to maturity of the Notes may be less than that which would be payable on such a conventional fixed rate or floating rate debt security. Even considering a minimum return or fixed repayment of principal (if either is specified in the applicable Final Terms, Pricing Supplement or Program

Supplement, if any) any such return at maturity may not compensate the holder of the Notes for any opportunity cost implied by inflation and other factors relating to the time value of money.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable. Price or other movements in the instrument or instruments comprising the Reference Asset that the Notes are linked to are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Reference Asset will rise or fall during the term of the Notes. During the term of the Notes, the price of the instrument or instruments comprising the Reference Asset may decrease below the initial level. The Bank cannot guarantee that the price or trading level of the instrument or instruments comprising the Reference Asset will rise or fall over the term of the Notes or, if the price or trading level of the instrument or instruments comprising the Reference Asset does rise or fall, what the price or trading level will be on the date or dates that the performance of the Notes is determined.

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 or instruments comprising the Reference Asset, which may be included in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, should not be taken as an indication of the future performance of the instrument or instruments comprising the Reference Asset. It is impossible to predict whether the level of the Reference Asset will fall or rise over the term of the Notes. The trading 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 or instruments comprising the Reference Asset are traded and/or the value of the Notes.

The price at which investors will be able to sell their Notes prior to maturity will depend on a number of factors, and may be substantially less than the amount an investor had originally invested. If an investor wishes to liquidate its investment in the Notes prior to maturity, its only alternative would be to sell the Notes. At that time, there may be an illiquid market for the Notes or no market at all. Even if an investor were able to sell its Notes, there are many factors outside of the Bank's control that may affect the value that such investor could realize from such a sale. The Bank believes that the value of an investor's Notes will be affected by the value and volatility of the instrument or instruments comprising the Reference Asset, whether or not the trading level or price of the Reference Asset is greater than or equal to the initial level, changes in interest rates, the supply of and demand for the Notes 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 an investor will be able to sell its Notes prior to maturity may be substantially less than the amount that investor originally invested if, at such time, the trading level or price of the Reference Asset is less than, equal to or not sufficiently above the initial level. The following paragraphs describe the manner in which the Bank expects the trading value of the Notes 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 value of the Notes prior to maturity will depend substantially on the relationship between the trading level or price of the Reference Asset and its initial level or initial price. If an investor decides to sell its Notes when the trading level or price differs from the initial level or initial price, such investor may nonetheless receive substantially less than the amount that would be payable at maturity based on that trading level or price because of expectations that the trading level or price will continue to fluctuate until the date or dates that the performance of the Notes is determined.

- *Volatility of the Reference Asset.* Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Reference Asset increases or decreases, the trading value of the Notes may be adversely affected.

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

- *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 trading value of the Notes. However, because the return on the Notes is dependent upon factors in addition to the Bank's ability to pay its obligations under the Notes, such as the trading 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 trading value of the Notes.

- *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 Notes. As the time remaining to the maturity of the Notes decreases, this time premium

will likely decrease, potentially adversely affecting the trading value of the Notes. As the time remaining to maturity decreases, the trading value of the Notes may be less sensitive to the price volatility of the instrument or instruments comprising the Reference Asset.

- *Dividend yield, if any.* The value of the Notes also may be affected by the dividend yields, if any, on the instrument or instruments comprising the Reference Asset. In general, because the payment at maturity does not incorporate the value of dividend payments, an increase in dividend yields is likely to reduce the trading value of the Notes. Conversely, a decrease in dividend yields is likely to increase the trading value of the Notes.

- *Economic and other conditions generally.* The general economic conditions of the capital markets in the United States, as well as geopolitical conditions and other financial, political, regulatory, and judicial events that affect stock markets generally, may affect the value of the Reference Asset and the value of the Notes. If the Reference Asset includes foreign assets, the value of your Notes may also be affected by similar events in those foreign markets.

- *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 or instruments comprising the Reference Asset, and real or anticipated changes in those factors, also may affect the trading value of the Notes. For example, earnings results of the instrument or instruments comprising a Reference Asset that is or relates to one or more equity securities, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. Reference Assets relating to equity securities also may be affected by mergers and acquisitions, which can contribute to volatility of the Reference Asset. As a result of a merger or acquisition involving the Reference Asset, the Reference Asset may be replaced with a surviving or acquiring entity's securities. The surviving or acquiring entity's securities may not have the same characteristics as the company or companies previously comprising 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 value of the Notes.

- *Dealer's commission and cost of hedging.* The original issue price of the Notes includes the Dealer's commission and the cost of hedging the Bank's obligations under the Notes. Such cost includes the Bank's affiliates' expected cost of providing such hedge and the profit the Bank's affiliate 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 Dealer will be willing to purchase Notes from and investor in secondary market transactions will likely be lower than the original issue price and, accordingly, an investor may need to be able and willing to hold the Notes to Maturity. In addition, any such prices may differ from values determined by pricing models used by the Dealer 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 value of the Notes attributable to another factor, such as an increase in the value of the Reference Asset.

The Bank may choose to redeem the Notes when prevailing interest rates or the return on an investor's investment are relatively low. If the Notes are redeemable at the Bank's option, this means that the Bank has the right, without the consent of investors, to redeem or "call" all or a portion of the Notes at any time, or at a specific point in time, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. This does not mean that investors have a similar right to require the Bank to repay the Notes. Where such a redemption right exists, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar maturity at an effective interest rate or with an effective return as high as the interest rate or return on the Notes being redeemed. Any such redemption right of the Bank's also may adversely impact an investor's ability to sell its Notes, and/or the price at which an investor could sell its Notes. Investors should consult their own financial and legal advisors as to the risks of an investment in redeemable Notes.

The instrument or instruments comprising the Reference Asset may trade more frequently than the Notes trade in a secondary market, if any. The hours of trading for the Notes may not conform to the hours during which the instrument or instruments comprising the Reference Asset are traded. To the extent that the markets in which the Notes trade, if any, are closed while other markets remain open, significant movements may take place in the levels or prices of the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the Notes. 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 investors 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 investors receive in respect of the Notes if a market disruption event occurs on any date or dates on which the performance of the Notes is determined. Any date or dates on which the performance of the Notes is to be determined may be postponed if the Calculation Agent (as defined below) determines

that a market disruption event has occurred or is continuing on that date. If a postponement occurs, the Calculation Agent will follow the procedures prescribed in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Investors 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 date or dates on which the performance of the Notes was to be determined. If so provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, should the market disruption event continue for a certain period of time, the performance of the Reference Asset, and hence the Notes, may be determined by the Calculation Agent based upon its good faith estimate.

The amount an investor receives at maturity may be delayed or reduced upon the occurrence of an Event of Default.

If the Notes have become immediately due and payable following an Event of Default with respect to the Notes, an investor may not be entitled to the entire principal amount of the Notes, but only to that portion of the principal amount specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, together with accrued but unpaid interest, if any.

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 Notes and determining whether a market disruption event has occurred, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. 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 holders of the Notes. The determinations by the Calculation Agent will be final and binding absent manifest error.

Trading and other transactions by the Bank or its affiliates could affect the trading level or price of the Reference Asset, the trading value of the Notes or the amount an investor may receive at maturity.

In connection with normal business practices or in connection with hedging its obligations under the Notes, the Bank and its affiliates may from time to time buy or sell the instrument or instruments comprising a Reference Asset, similar instruments, other securities of an issuer of an instrument comprising a Reference Asset or derivative instruments relating to such an instrument or instruments. These trading activities may occur in 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 comprising any Reference Asset in a manner that would decrease the trading value of the Notes prior to maturity or the amount an investor would receive at maturity. To the extent that the Bank or any of its affiliates have a hedge position in an instrument or instruments comprising the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, the Bank or any of its affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes. This liquidation activity may affect the amount payable at maturity in a manner that would be adverse to an investor's investment in the Notes. 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 Notes. The Bank or any of its affiliates may hold or resell any such position in the Notes.

Research reports and other transactions may create conflicts of interest between investors 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 or instruments comprising certain Reference Assets or to the issuers of certain such instruments. The views expressed in this research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the trading level or price of an instrument comprising the Reference Asset and, therefore, the value of the Notes. 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 Notes, investors 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 or instruments comprising the Reference Asset. By introducing competing products into the marketplace in this manner, the Bank or its affiliates could adversely affect the value of the Notes.

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

The Bank cannot control actions by the sponsors or issuers of the instrument or instruments comprising the Reference Asset. Actions by any sponsor or issuer of the instrument or instruments comprising the Reference Asset may have an

adverse effect on the trading level or price of any instrument comprising the Reference Asset and therefore on the value of the Notes. No sponsor or issuer will be involved with the administration, marketing or trading of the Notes and no sponsor or issuer will have any obligations with respect to the amounts to be paid to investors on any applicable interest payment date or on the maturity date, or to consider an investor's interest as an owner of Notes when it takes any actions that might affect the value of the Notes. No sponsor or issuer will receive any of the proceeds of any Note offering and no sponsor or issuer will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued.

The Bank will not be affiliated with any sponsor or issuer of any instrument or instruments comprising the Reference Asset (except for the licensing arrangements, if any, discussed in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, 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 sponsors or issuers. Neither the Bank, nor any of its affiliates, including the Dealers, assumes any responsibility for the adequacy or accuracy of any publicly available information about the sponsor or issuer of any instrument or instruments comprising the Reference Asset, whether such information is contained in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, or otherwise. Investors should make their own investigation into the Reference Asset and the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Investors have no recourse to the sponsor or issuer of any instrument or instruments comprising the Reference Asset. An investor's investment in the Notes will not give him or her any rights against any sponsor or issuer, including any sponsor or issuer that may determine or publish the level of any instrument or instruments comprising the Reference Asset. The Notes are not sponsored, endorsed, sold or promoted by the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Changes in methodology of the sponsor or issuer of certain Reference Assets or changes in laws or regulations, may affect the value of and payment, if any, on the Notes prior to maturity and the amount investors receive at maturity. The sponsor or issuer of certain Reference Assets may have the ability from time to time to change any of its rules or bylaws or historical practices and procedures or take emergency action under its rules, any of which could affect the trading level or price of the instrument or instruments comprising the Reference Asset. Any such change which causes a decrease in such trading level or price could adversely affect the level or price of the Reference Asset and the value of the Notes.

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 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 value of the Notes.

The sponsor may change the instruments comprising the Reference Assets that are indices in a way that adversely affects the Reference Asset level and consequently the value of the Notes. The sponsors of Reference Assets that are indices can add, delete or substitute the instruments comprising the Reference Asset or make other methodological changes that could adversely change the level of the Reference Asset and thereby affect the value of the Notes. Changes in the instrument or instruments comprising the Reference Asset may affect the level of the Reference Asset, as a newly added instrument or instruments may perform significantly better or worse than the instrument or instruments it replaces.

Any discontinuance or suspension of calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset may adversely affect the trading value of the Notes and the amount investors will receive at maturity. If the calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset is discontinued or suspended, it may become difficult to determine the trading value of the Notes or, if such discontinuance or suspension is continuing on the observation date, the amount investors will receive at maturity.

The Reference Asset may not be a recognized market index and may not accurately reflect global market performance. The Reference Asset may not be a recognized market index and may be created solely for purposes of the offering of the Notes and calculated solely during the term of the Notes. In such an instance, the level of the Reference Asset and, therefore, its performance, will not be published during the term of the Notes.

Reference Assets comprised of an instrument or instruments traded in a foreign market may contain additional risks. The prices and performance of instruments or securities traded in foreign markets may be affected by political, economic, financial, social or other factors in the relevant foreign market. In addition, recent or future changes in governmental, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in

the rate of exchange between currencies, are factors that could adversely affect the foreign securities markets. Moreover, the relevant foreign economy may differ favorably or unfavorably from that of the United States.

Time differences between the domestic and foreign markets may create discrepancies in the trading level or price of the Notes if the Reference Assets are comprised of instruments that primarily trade on foreign markets. In the event that the instrument or instruments comprising a Reference Asset trade primarily on a foreign market, time differences between the domestic and foreign markets may result in discrepancies between the level or price of the instrument or instruments comprising the Reference Asset and thereby affect the value of the Notes. To the extent that the relevant markets where the Notes trade, if any, are closed while markets for the instrument or instruments comprising the Reference Asset remain open, significant price or rate movements may take place in the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the Notes. In addition, there may be periods when the relevant foreign markets are closed for trading, causing the level or price of the Reference Asset to remain unchanged for multiple trading days in the relevant market.

Additional Risks Relating to Notes with an Equity Security or Equity Index as the Reference Asset

Equity market risks may affect the trading value of the Notes and the amount investors will receive at maturity. If the Reference Asset is an equity security or an equity index, the Bank expects that the Reference Asset will fluctuate in accordance with changes in the financial condition of the relevant issuer(s), the value of common stocks generally and other factors. The financial condition of the issuer(s) of 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 value of the Notes. 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 or instruments comprising the Reference Asset change. Investor perceptions regarding the issuer of a security comprising a Reference Asset are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Asset may be expected to fluctuate until maturity.

Investors have no rights in the property, nor shareholder rights in any securities of any issuer of the instrument or instruments comprising the Reference Asset. Investing in the Notes will not make an investor a holder of the instrument or instruments comprising the Reference Asset. Neither an investor nor any other holder or owner of the Notes 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 issuer or issuers of the instrument or instruments comprising the Reference Asset.

The Notes may be affected by certain corporate events and investors will have limited anti-dilution protection. Following certain corporate events relating to the underlying issuer(s) of Reference Assets consisting of equity securities, such as a stock-for-stock merger where the underlying company is not the surviving entity, investors 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 value of the Notes. We describe the specific corporate events that can lead to these adjustments in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. The Calculation Agent for the Notes 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 amount of the Reference Asset payable at maturity, the value of the Notes and the amount payable at maturity may be materially and adversely affected.

Payments at maturity will not reflect dividends on the Reference Asset. Payments at maturity do not reflect the payment of dividends on the instrument or instruments comprising the Reference Asset. Therefore, the yield derived from an investment in the Notes will not be the same as if investors had purchased the instrument or instruments comprising the Reference Asset and held it or them for a similar period.

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 two equity indices, either of which could be a Reference Asset, or a component of a basket comprising a Reference Asset. The Bank will not have any obligation to consider your interests as a holder of the Notes 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 or its affiliates' securities.

Single stock risk. If the Reference Asset is comprised of a single equity security, the price of the Reference Asset can rise or fall sharply due to factors specific to that Reference Asset and its issuer, such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions.

The Bank will obtain the information about the sponsor or issuers of the Reference Asset from public filings. The Bank will derive all information in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, about the sponsor or issuers of the instrument or instruments comprising the Reference Asset from publicly available documents. The Bank has not participated and will not participate in the preparation of any of those documents. Nor has the Bank made or will it make any “due diligence” investigation or any inquiry with respect to the sponsor or issuers of the instrument or instruments comprising the Reference Asset in connection with the offering of the Notes. The Bank does not make any representation that any publicly available document or any other publicly available information about the sponsor or issuers of the instrument or instruments comprising the Reference Asset is accurate or complete. Furthermore, the Bank does not know whether all events occurring before the date of the applicable Final Terms, Pricing Supplement or Program Supplement, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the trading level or price of the instruments comprising the Reference Asset, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning the sponsor or issuers of the instrument or instruments comprising the Reference Asset could affect the market value of the Notes.

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

These factors may adversely affect the performance of the Reference Asset and, as a result, the trading value of the Notes and the amount investors will receive at maturity.

Additional Risks Relating to Notes with a Reference Asset that Is an Exchange-Traded Fund (“ETF”)

In addition to the underlying index of an ETF (an “Underlying Index”) being subject to the applicable risk factors set forth above, the following risk factors apply to ETFs.

An ETF and its Underlying Index are different. The performance of an ETF may not exactly replicate the performance of its Underlying Index, because the ETF will reflect transaction costs and fees that are not included in the calculation of its Underlying Index. It is also possible that an ETF 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 ETF or due to other circumstances. An ETF 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.

ETFs are subject to management risk. ETFs 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, ETFs, 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, an ETF generally would not sell a security because the security’s Bank was in financial trouble. In addition, an ETF is subject to the risk that the investment strategy of the ETF’s investment advisor may not produce the intended results.

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

Suspensions or disruptions of market trading in the commodity markets and related futures may adversely affect the amount investors will receive at maturity and/or the market value of the Notes. 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.

Investors will not have any rights to receive the Reference Asset. Investing in the Notes will not make an investor a holder of any commodity, currency or futures contract relating to a Reference Asset. If the Reference Asset is not an equity security, the Notes will be paid solely in cash, and investors will have no right to receive delivery of any commodity, currency or futures contract relating to a Reference Asset.

Investors 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 Notes 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 investors. An investment in the Notes 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 Notes will not constitute a direct or indirect investment by an investor in the futures contracts), and an investor will not benefit from the regulatory protections of the Commodity Futures Trading Commission. The Bank is not registered with the Commodity Futures Trading Commission as a futures commission merchant and investors will not benefit from the Commodity Futures Trading Commission’s or any other non-United States regulatory authority’s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike an investment in the Notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the Commodity Futures Trading Commission as a commodity pool operator, or qualify for an exemption from the registration requirement.

Because the Notes will not be interests in a commodity pool, the Notes will not be regulated by the Commodity Futures Trading Commission as a commodity pool, the Bank will not be registered with the Commodity Futures Trading Commission as a commodity pool operator, and investors will not benefit from the Commodity Futures Trading Commission’s or any non-U.S. regulatory authority’s regulatory protections afforded to persons who invest in regulated commodity pools.

A futures exchange may replace or delist a futures contract included in a Reference Asset. The sponsor of a Reference Asset that is an index of commodities futures contracts may, upon certain events, have to replace a delisted commodity contract. There can be no assurance, however, 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 value of the Notes.

Higher future prices of futures contracts comprising 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 value of the notes.

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 comprising a Reference Asset will consistently be in backwardation or that there will be a positive roll yield that will increase the level 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 value of the Notes.

Risks relating to trading of the instrument or instruments comprising 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 Notes that Are Denominated in or Indexed To a Foreign Currency or with a Reference Asset that Is a Foreign Currency or a Contract or an Index Relating thereto

Changes in foreign exchange rates and foreign exchange controls could result in a substantial loss to investors. An investment in Notes that are denominated in a specified currency other than U.S. Dollars, or that have principal and/or any interest payments indexed to a specified currency, 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 a Note is non-U.S. Dollar denominated, depreciation of the specified currency against the U.S. Dollar could result in a decrease in the effective yield of the Note below its coupon rate, and in certain circumstances could result in a loss to the investor on a U.S. Dollar basis.

Governments have imposed, and may in the future impose, exchange controls that could affect exchange rates, as well as the availability of a specified foreign currency for making payments with respect to a non-U.S. Dollar denominated Note. There can be no assurance that exchange controls will not restrict or prohibit payments in any such currency or currency unit. Even if there are no actual exchange controls, it is possible that the specified currency for any particular Note would not be available to make payments when due. In such event, the Bank will repay such Note in U.S. Dollars on the basis of the most recently available exchange rate.

If the Reference Asset is comprised of one or more foreign currencies (or an index thereon), the Notes 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, trading value and amount investors 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 Notes relating to one or more foreign currencies is that their liquidity, their trading value and the amount investors 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 Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

The unavailability of foreign currencies could result in a substantial loss to investors. Banks may not offer non-U.S. Dollar denominated checking or savings account facilities in the United States. Accordingly, payments on non U.S. Dollar denominated Notes will be made from an account with a bank located in the country issuing the specified currency. As a result, investors may have difficulty converting or be unable to convert such specified currencies into U.S. Dollars on a timely basis or at all.

Additional Risks Relating to Notes with a Reference Asset that Is a Floating Interest Rate, an Index Containing Floating Interest Rates or Based in Part on a Floating Interest Rate

Investors may receive a lesser amount of interest or no interest at all in the future. Because the Reference Asset will be comprised of or based in part on a floating interest rate, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, investors will receive a lesser amount of interest than the interest rate in effect at the time investors purchase the Notes or no interest at all. The Bank has no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

The interest rate may be below the rate otherwise payable on similar debt securities 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 floating interest rate, investors may receive a rate of interest that is less than the rate of interest on debt securities with the same maturity issued by the Bank or an issuer with the same credit rating.

The terms of the Notes may not require payment of interest or return of a portion or all of an investor’s principal in certain circumstances. The Notes may have fixed or floating interest rates that accrue only if a particular index property falls within a particular range of values (a “range note”) or if it is higher or lower than a specified amount. Investors should consider the risk that the interest rate accrual provisions applicable to these Notes, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, may result in no interest or less interest being payable on the Notes than on a conventional fixed rate debt security issued by the Bank at the same time and with the same maturity. For example, a range note may provide that if the relevant index for that range note 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 Note), no interest will accrue during the period.

In addition, the interest rate applicable to Notes linked to an index such as the consumer price index may be linked to period-over-period changes in the level of the index for the relevant index measurement period. If the index does not increase (or decrease, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any) during the relevant measurement period, investors may not receive any interest payments for the applicable interest period.

The interest rate on the Notes could be zero. The Bank has no control over the fluctuations in the levels of the Reference Assets. If the interest payments depend on a formula that uses the Reference Asset as a variable, certain values of the Reference Asset may result in a calculation that equals zero. In that case, no interest may accrue for the related interest payment period.

Additional Risks Relating to Notes with a Reference Asset that Is the Consumer Price Index (the “CPI”) or Contains the CPI or Is Based in Part on the CPI

The interest rate on the Notes could be zero. The terms of the Notes differ from those of ordinary debt securities in that interest on the Notes 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 interest accruing on the Notes for any given interest payment period.

The interest rate on the Notes may be below the rate otherwise payable on debt securities with similar maturities 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 Final Terms, Pricing Supplement or Program Supplement, if any), the interest rate on the Notes may be less than the rate on debt securities with the same maturity 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; 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 interest payments with respect to the Notes. Accordingly, the amount of interest, if any, payable on the Notes, and therefore the value of the Notes, 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 employed to calculate the interest payable on the Notes, and that substitution may adversely affect the value of the Notes.

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 Notes. 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 interest payments on the Notes 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 Notes that Contain a Multiplier

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

Additional Risks Relating to Notes with a Maximum Limitation, Maximum Rate, Ceiling or Cap

An investor's gain, if any, on the Notes at maturity will be limited to the maximum limitation, maximum rate, ceiling or cap. An investor's payment at maturity is 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 interest rate"). In the event that the maximum interest rate is applicable, the maximum payment at maturity for each Note will be limited to the sum of (i) the principal amount of the Note and (ii) the product of the principal amount of the Note *multiplied by* the maximum interest rate, regardless of the positive percentage increase of the Reference Asset over the maximum interest rate.

Additional Risks Relating to Notes with More than One Instrument Comprising the Reference Asset

Risks associated with the Reference Asset may adversely affect the price of the Notes. Because the Notes 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 Notes may carry risks similar to a concentrated investment in a limited number of industries or sectors.

The levels or prices of the instruments comprising the Reference Asset may not move in tandem. Increases in the levels or prices of one or more of the instruments comprising the Reference Asset may be moderated, or wholly offset, by lesser increases or decreases in the levels or prices of one or more of the other instruments comprising the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors and the value of the Notes will be impacted by price movements in that sector. These include movements in the prices or levels of assets in these sectors, including the prices or levels of securities or other instruments comprising the Reference Asset.

Risk Factors Related to the Market

There is no secondary trading market so the Notes may not be liquid. Notes may have no established trading market when issued, and one may never develop. If a market does develop, there is no guarantee that it will be maintained and it may not be liquid. Many factors independent of the Bank's creditworthiness affect the trading market and market value of the Notes. These factors include, among others:

- the method of calculating the principal and interest for the Notes;
- the time remaining to the Maturity of the Notes;
- the outstanding amount of the Notes;
- market rates of interest higher than the rates borne by the Notes;
- the market for similar securities;
- the redemption or repayment features of the Notes; and
- the level, direction and volatility of interest rates generally.

Often, the only way investors can liquidate the investment in the Notes prior to Maturity will be to sell the Notes. At that time, there may be an illiquid market for the Notes or no market at all. Therefore, investors may not be able to sell the Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. For example, the trading value of Indexed Notes (as defined herein) may be adversely affected by the complexity of the formula and volatility of the applicable Reference Asset, including any dividend rates or yields of other securities or financial instruments that relate to the Indexed Notes. Moreover, the trading value of Indexed Notes could be adversely affected by changes in the amount of outstanding equity or other securities linked to the applicable Reference Asset or formula applicable to the Indexed Notes. Illiquidity may have a severely adverse effect on the market value of Notes.

Hedging activities may affect the return at maturity and the market value of the Notes. Hedging activities also may affect trading in the Notes. At any time, the Bank or its affiliates may engage in hedging activities contemporaneous with an offering of the Notes. This hedging activity, in turn, may increase or decrease the value of the Notes. In addition, the Bank or its affiliates may acquire a long or short position in the Notes from time to time. In the case of Indexed Notes, the Bank or its affiliates may engage in hedging activity related to the Indexed Notes or to components of the index or formula applicable to the Indexed Notes. All or a portion of these positions may be liquidated at or about the time of the maturity date of the Notes. The aggregate amount and the composition of these positions are likely to vary over time. The Bank has no reason to believe that any of its activities will have a material effect on the Notes. However, the Bank cannot assure investors that its activities or the activities of its affiliates will not affect the prices at which an investor may sell the Notes.

Notes denominated in, or related to the value of, currency other than the currency of the country in which the purchaser is resident or conducts business carry risks associated with exchange rate, and exchange controls. An investment in Notes that are denominated in, or the payment of which is related to the value of, a Specified Currency (as defined herein) other than the currency of the country in which a purchaser is resident or the currency in which a purchaser conducts its business (the “home currency”) entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the home currency and the Specified Currency and the possibility of the imposition or modification of foreign exchange controls with respect to the Specified Currency. Such risks generally depend on factors over which the Bank has no control, such as economic, financial and political events and the supply of, and demand for, the relevant currencies. In recent years, rates of exchange for certain currencies have been highly volatile, and such volatility may be expected to continue in the future. Fluctuations in currency exchange rates could affect adversely an investor’s investment in a foreign currency-denominated Note. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the Specified Currency in which a Note is payable against the relevant home currency would result in a decrease in the effective yield of such Note below its stated rate of interest, and in certain circumstances, could result in a loss to an investor on a home currency basis. This, in turn, could cause the market value of the Notes to fall. In addition, depending on the specific terms of a Note, changes in exchange rates relating to any of the currencies involved may result in a decrease in its effective yield and, in certain circumstances, could result in a loss to the investor of all or a substantial portion of the principal of a Note. Governments have from time to time imposed, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a Specified Currency on an Interest Payment Date or Maturity with respect to a Note. For example, a central bank may intervene to devalue or revalue a currency or to replace an existing currency. In addition, a government may impose regulatory controls or taxes to affect the exchange rate of its currency. As a result, the yield or payout of a foreign currency-denominated Note could be affected significantly and unpredictably by governmental actions. Changes in exchange rates could affect the value of the Notes as participants in the global currency market move to buy or sell foreign currency or an investor’s home currency in reaction to those developments.

In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions. There can be no assurances that exchange controls will not restrict or prohibit payments of principal or interest in any such currency. Even if there are no actual exchange controls, it is possible that on an Interest Payment Date or Maturity with respect to any particular Note, a Specified Currency for such Note would not be available to the Bank to make payments of interest and principal then due.

Under the terms of the Notes, if, at or about the time when a payment on the Notes comes due, the Specified Currency is subject to convertibility, transferability, market disruption or other conditions affecting its availability because of circumstances beyond the Bank's control, the Bank may make the payment in U.S. Dollars instead of the Specified Currency. These circumstances could include the imposition of exchange controls or the Bank's inability to obtain the Specified Currency because of a disruption in the currency markets for the Specified Currency. In that event, the Bank will make required payments in U.S. Dollars on the basis of the Market Exchange Rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the Market Exchange Rate as of the most recent date for which the Market Exchange Rate is available. As a result, the value of the payment in U.S. Dollars may be less than the value of the payment investors would have received in the Specified Currency if the Specified Currency had been available.

The Bank will not make any adjustments in or change to the terms of the Notes for changes in the exchange rate for a Specified Currency, including any devaluation, revaluation or imposition of exchange, or other regulatory controls or taxes, or for other developments affecting the Specified Currency or an investor's home currency. Consequently, each investor will bear the risk that such investor's investment may be adversely affected by these types of events.

The Notes are governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a foreign currency would be required to render the judgment in that foreign currency. In turn, the judgment would be converted into U.S. Dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the Notes, investors would bear currency exchange risk until judgment is entered, which could be a significant amount of time.

In courts outside of New York, investors may not be able to obtain a judgment in a Specified Currency other than U.S. Dollars. For example, a judgment for money in an action based on the Notes in other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. Dollars. The date used to determine the rate of conversion of the foreign currency into U.S. Dollars will depend upon various factors, including which court renders the judgment.

This Offering Circular does not describe all the risks of an investment in Notes denominated in, or the payment of which is related to the value of, a currency other than a prospective purchaser's home currency and the Bank disclaims any responsibility to advise prospective purchasers of such risks as they exist at the date of this Offering Circular or as such risks may change from time to time. Prospective purchasers should consult their own financial, legal and tax advisors as to the risks entailed by an investment in Notes denominated in, or the payment of which is related to the value of, currencies (including composite currencies) other than the particular home currency. Such Notes are not an appropriate investment for persons who are unsophisticated with respect to foreign currency transactions.

Final Terms, Pricing Supplements and Program Supplements, if any, relating to Notes denominated other than in U.S. Dollars may contain information concerning historical exchange rates for the applicable Specified Currency against the U.S. Dollar, a description of the Specified Currency and any exchange controls affecting such Specified Currency. The information contained therein will constitute a part of this Offering Circular, will be furnished as a matter of information only and should not be regarded as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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 OCC. The Bank was chartered on July 1, 2004 with charter number 24522. The Bank's deposits are insured by the FDIC up to applicable limits. The Notes are not deposits and are not, nor will they be, insured by the FDIC.

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

At June 30, 2013, the Bank represented approximately 95 percent of the consolidated assets of HSBC USA and had assets of approximately \$182.5 billion. The Bank had outstanding approximately \$145.3 billion of obligations, including deposits totaling approximately \$119.5 billion and approximately \$6.7 billion of long-term debt. Of the total long-term debt, approximately \$5.3 million represents subordinated obligations to HSBC USA.

The Bank's main office is in McLean, Virginia, and its principal executive offices are located at 452 Fifth Avenue, New York, New York.

Business Segments

The Bank has four distinct business segments that it utilizes for management reporting and analysis purposes: Retail Banking and Wealth Management Segment ("**RBWMS**"), Commercial Banking ("**CMB**"), Global Banking and Markets ("**GB&M**") and Private Banking ("**PB**"). The business segments are based upon customer groupings, as well as products and services offered. The business segments are described in the following paragraphs.

Retail Banking and Wealth Management Segment During 2012, we sold 195 retail branches, including certain loans, deposits and related branch premises, primarily located in upstate New York to First Niagara Bank, N.A. ("First Niagara"). We also announced the closure and consolidation of 13 branches in Connecticut and New Jersey. Following completion of these transactions, RBWM has focused on growing its wealth and banking business in key urban centers with strong international connectivity across the U.S. including New York City, Los Angeles, San Francisco, Miami and Washington DC.

Our lead customer proposition, HSBC Premier, is a premium service wealth and relationship banking proposition designed for the internationally minded client. HSBC Premier provides clients access to a broad selection of local and international banking and wealth products and services that have been tailored to the needs of our HSBC Premier clients. HSBC Premier enables customers to access all their accounts from a single on-line view and includes free international funds transfers between these accounts and access to a range of wealth management solutions. The Premier Service is delivered by a personal Premier relationship manager, supported by a 24-hour priority telephone and internet service.

Commercial Banking Segment CMB's business strategy is to be the leading international trade and business bank in the U.S. CMB strives to execute this vision and strategy in the U.S. by focusing on key markets with high concentration of international connectivity. Our Commercial Banking segment serves the markets through three client groups, notably Corporate Banking, Business Banking and Commercial Real Estate, which allows us to align our resources in order to efficiently deliver suitable products and services based on the client's needs and abilities. Through its commercial centers and the Bank's retail branch network, CMB provides customers with the products and services needed to grow their businesses internationally, and deliver those through the our relationship managers, who operate within a robust customer focused compliance and risk culture, and collaborate across HSBC to capture a larger percentage of a relationship, as well as our award winning on-line banking channel *HSBCnet*. In 2012, our continued focus on expanding our core proposition and proactively targeting companies with international banking requirements led to an increase in the number of relationship managers and product partners enabling us to gain a larger presence in key growth markets, including the West Coast, Southeast and Midwest.

Global Banking and Markets Segment Our GB&M business segment supports HSBC's emerging markets-led and financing-focused global strategy by leveraging HSBC Group advantages and scale, strength in developed and emerging markets and Global Markets products expertise in order to focus on delivering international products to U.S. clients and local products to international clients, with New York as the hub for the Americas business, including Canada and Latin America. GB&M provides tailored financial solutions to major government, corporate and institutional clients as well as private investors worldwide. Managed as a global business, GB&M clients are served by sector-focused teams that bring together relationship managers and product specialists to develop financial solutions that meet individual client needs. With a focus on providing client connectivity between the

emerging markets and developed markets, we ensure that a comprehensive understanding of each client's financial requirements is developed with a long-term relationship management approach. In addition to GB&M clients, GB&M works with RBWM, CMB and PB to meet their domestic and international banking needs.

Within client-focused business lines, GB&M offers a full range of capabilities, including:

- Corporate and investment banking and financing solutions for corporate and institutional clients, including loans, working capital, investment banking, trade services, payments and cash management, and leveraged and acquisition finance; and
- One of the largest markets business of its kind, with 24-hour coverage and knowledge of world-wide local markets and providing services in credit and rates, foreign exchange, derivatives, money markets, precious metals trading, cash equities and securities services.

Also included in our GB&M segment is Balance Sheet Management, which is responsible for managing liquidity and funding under the supervision of our Asset and Liability Policy Committee. Balance Sheet Management also manages our structural interest rate position within a limit structure. Balance Sheet Management reinvests excess liquidity into highly rated liquid assets. The majority of the liquidity is invested in interest bearing deposits with banks and U.S. government and other high quality securities. Balance Sheet Management is permitted to use derivatives as part of its mandate to manage interest rate risk. Derivative activity is predominantly through the use of vanilla interest rate swaps which are part of cash flow hedging relationships. Credit risk in Balance Sheet Management is predominantly limited to short-term bank exposure created by exposure to banks as well as high quality sovereigns or agencies which constitute the majority of Balance Sheet Management's liquidity portfolio. Balance Sheet Management does not and is not mandated to manage the structural credit risk of our balance sheet. Balance Sheet Management only manages interest rate risk.

Private Banking Segment PB provides private banking and trustee services to high net worth individuals and families with local and international needs. Accessing the most suitable products from the marketplace, PB works with its clients to offer both traditional and innovative ways to manage and preserve wealth while optimizing returns. Managed as a global business, PB offers a wide range of wealth management and specialist advisory services, including banking, liquidity management, investment services, custody services, tailored lending, wealth planning, trust and fiduciary services, insurance, family wealth and philanthropy advisory services. PB also works to ensure that its clients have access to other products and services, capabilities, resources and expertise available throughout HSBC, such as credit cards, investment banking, commercial real estate lending and middle market lending, to deliver services and solutions for all aspects of their wealth management needs.

HSBC USA Inc.

HSBC USA Inc. ("HSBC USA") is a corporation organized under the laws of the State of Maryland and is an indirect wholly-owned subsidiary of HSBC North America Holdings Inc., which is an indirect wholly-owned subsidiary of HSBC Holdings plc ("HSBC"). HSBC USA's principal business is to act as a holding company for its subsidiaries.

The principal offices of HSBC USA are located at 452 Fifth Avenue, New York, New York, 10018, USA and the telephone number at these offices is (212) 525-5000. At June 30, 2013, HSBC USA had assets of approximately U.S.\$192,386 million. At June 30, 2013, HSBC USA had 6,399 employees.

In this section "HSBC Bank USA, National Association and HSBC USA Inc.," HSBC USA and its subsidiaries are referred to as "HUSI, "we," "us" and "our." The HSBC Group is one of the largest banking and financial services organizations in the world.

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

SELECTED FINANCIAL INFORMATION

The following table sets forth certain selected consolidated financial information for the Bank for each of the years in the three-year period ended December 31, 2012 and for the six-month periods ended June 30, 2013 and 2012. The following information was prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles, and is qualified in its entirety by the Bank's financial statements and information available in the Bank's Call Reports, as described under "Available Information and Documents Incorporated by Reference."

	Six Months Ended		Year Ended December 31,		
	June 30,				
	2013	2012	2012	2011	2010
Summary Income Statement:					
Net interest income	\$ 1,101,844	\$ 1,233,613	\$ 2,376,972	\$ 2,673,933	\$ 4,668,201
Trading revenues.....	247,052	244,523	454,294	402,395	693,006
Securities gains, net	153,312	90,184	124,037	129,034	(6,141)
Other operating income.....	737,703	832,314	1,284,612	1,570,811	2,146,072
Total other operating income	1,138,067	1,167,021	1,862,943	2,102,240	2,832,937
Operating expenses	1,575,043	2,384,368	4,661,766	3,746,512	3,985,734
Provision for credit losses.....	88,288	88,076	291,654	258,601	1,106,079
Income (loss) before taxes	576,580	(71,810)	(713,505)	771,060	2,409,325
Applicable income tax expense (credit).....	179,501	359,081	361,845	267,790	792,424
Extraordinary Items, net of income taxes	-	244,858	244,844	604,004	6,272
Net income (loss).....	<u>\$ 397,079</u>	<u>\$ (186,033)</u>	<u>\$ (830,506)</u>	<u>\$ 1,107,274</u>	<u>\$ 1,623,173</u>
Selected Period End Balances:					
Total assets.....	\$182,540,696	\$193,995,328	\$186,789,896	\$206,009,683	\$181,118,463
Total tangible assets.....	180,524,400	191,926,531	184,825,916	203,732,345	178,659,402
Goodwill	1,717,045	1,792,393	1,717,045	2,035,445	2,035,445
Long-term debt	6,669,035	7,908,104	8,157,955	7,775,329	8,505,349
Common shareholder's equity	18,477,800	19,418,408	18,821,812	19,512,142	17,602,931
Tangible common shareholder's equity	16,397,228	16,603,855	16,085,631	16,604,046	15,298,439
Total shareholder's equity.....	18,478,085	19,418,688	18,822,176	19,512,530	17,603,301
Selected Financial Ratios:					
Average common shareholder's equity to average total assets.....	8.99%	8.21%	8.63%	7.92%	8.65%
Period end common shareholder's equity to period end total assets.....	10.12%	10.01%	10.08%	9.47%	9.72%
Period end tangible common shareholder's equity to period end tangible total assets	9.08%	8.65%	8.70%	8.15%	8.56%
Return on average total assets.....	0.45%	-0.19%	-0.45%	0.55%	0.89%
Return on average common shareholder's equity	4.95%	-2.32%	-5.17%	6.89%	10.24%

SUPERVISION, REGULATION AND OTHER MATTERS

Regulation. The statutory and regulatory framework governing our operations is described below. Congress has established this comprehensive framework, applicable to bank holding companies and banks, for the purpose of protecting depositors, the federal deposit insurance fund, consumers and the banking system as a whole. Applicable statutes, regulations or resulting policies could restrict the Bank's ability to diversify into other areas of financial services, acquire depository institutions or pay dividends on our capital stock. Banking rules and supervisors may also require HSBC USA to provide financial support to its subsidiary banks, maintain capital balances in excess of those desired by management, and pay higher deposit insurance premiums as a result of a general deterioration in the financial condition of federally-insured depository institutions. The following is a summary of selected regulatory and supervisory matters, and does not purport to be a comprehensive discussion of financial laws and regulations that apply to our activities.

Financial Regulatory Reform Legislation. On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "**Dodd-Frank Act**" or "**Act**") was signed into law. This legislation is a sweeping overhaul of the financial regulatory system. The new law is comprehensive and includes many provisions specifically relevant to our business and the business of our affiliates. For instance, over a transition period from 2013 to 2018, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") will apply more stringent capital and risk management requirements to bank holding companies such as HSBC North America, which will require a minimum leverage ratio of five percent and a total capital ratio of ten percent. The legislation also phases out the use of certain types of preferred securities (in particular, trust preferred securities) for capital treatment by bank holding companies, which may negatively impact our capital ratios.

In order to promote financial stability in the U.S. financial system, the Act has created a framework for the enhanced prudential regulation and supervision of financial institutions that are deemed to be "systemically important" to the U.S. financial system, including U.S. bank holding companies and foreign banks with consolidated assets of \$50 billion or more. This framework is subject to the general oversight of the Financial Stability Oversight Council (the "**Council**"), an interagency coordinating body that has the authority, among other things, to, recommend stricter regulatory and supervisory requirements for large bank holding companies, and to designate bank and nonbank financial firms that pose a risk to financial stability. In turn, the Federal Reserve Board has authority, in consultation with the Council, to may take certain actions, including precluding mergers, restricting financial products offered, restricting or terminating activities or imposing conditions on activities or requiring the sale or transfer of assets, against any systemically important bank holding company. In addition, activities of bank holding companies, such as the ability to acquire U.S. banks or to engage in non-banking activities, will be more directly tied to examination ratings of "well-managed" and "well capitalized." There are also provisions in the Act which relate to executive compensation, including disclosures evidencing the relationship between compensation and performance and a requirement that some executive incentive compensation is forfeitable in the event of an accounting restatement.

Under the Dodd-Frank Act, over a transition period from 2013 to 2015, the Federal Reserve Board will apply more stringent capital, risk management and operational requirements on bank holding companies such as HSBC North America, which will require a minimum Tier 1 leverage ratio of four percent, a minimum Tier 1 common risk-based capital ratio of five percent and a minimum total risk-based capital ratio of eight percent. In addition, large bank holding companies, such as HSBC North America, and large insured depository institutions, such as the Bank, are now required to file resolution plans identifying material subsidiaries and core business lines, describing what strategy would be followed in the event of significant financial distress, including identifying how insured bank subsidiaries would be adequately protected from risk created by other affiliates. The failure to cure deficiencies in a resolution plan would enable the Federal Reserve Board to impose more stringent capital, leverage or liquidity requirements, or restrictions on growth, activities or operations and, if such failure persists, require the divestiture of assets or operations. The Federal Reserve Board has also proposed a series of increased supervisory standards to be followed by large bank holding companies, including required remediation in the event of failure to meet capital requirements, stress testing requirements, enhanced governance and stress testing for liquidity management, caps on single-counterparty exposures and risk management standards. Because we are a banking organization with consolidated assets of well over \$50 billion, the Bank and HSBC USA will be subject to this systemic prudential regulation framework.

In relation to requirements for bank transactions with affiliates, the legislation extends current quantitative limits on credit transactions to now additionally include credit exposure related to repurchase agreements, derivatives and securities lending transactions. This provision may limit the use of intercompany transactions between the Bank and its affiliates which impacts our current funding strategies.

The Act has numerous provisions addressing derivatives. The Act requires the comprehensive regulation of over-the-counter ("OTC") derivatives markets, including credit default swaps, as well as limits on FDIC-insured banks' OTC derivatives activities. Most of the significant provisions are to be implemented within two to three years of the enactment of the Act. There is also the

requirement for the use of mandatory derivative clearing houses and exchanges, which will significantly change the overall derivatives market industry.

The “Volcker Rule” in the legislation restricts the extent to which a bank or bank holding company can engage in proprietary trading activities, and the sponsorship of and investment in hedge funds and private equity funds. These provisions will have limited impact on the Bank, although they may affect the operations of HSBC USA.

The legislation also provided for a reapportionment in FDIC insurance assessments on FDIC-insured banks, such as the Bank. The minimum FDIC reserve ratio has been increased from 1.15 to 1.35, with the target of 1.35 to be reached by 2020, with the incremental cost charged to banks with more than \$10.0 billion in assets. The assessment methodology was revised to a methodology based on assets, rather than deposit liabilities, beginning with second quarter 2011 assessments with pricing based on a FDIC methodology to measure the risk of the banks. This shift has had financial implications for all FDIC-insured banks, including the Bank. In addition, the FDIC has set the designated reserve ratio at two percent as a long-term goal.

The Act created the Consumer Financial Protection Bureau (the “CFPB”). The CFPB is a new independent bureau within the Federal Reserve Board and acts as a single primary Federal consumer protection supervisor to regulate credit, savings, payment and other consumer financial products and services and providers of those products and services. The CFPB has the authority to issue regulations to prevent unfair, deceptive or abusive practices in connection with consumer financial products or services and to ensure features of any consumer financial products or services are fully, accurately and effectively disclosed to consumers. In addition, state attorneys general have the authority to enforce CFPB rules.

The Act codifies the current standard of federal preemption with respect to national banks. However, because preemption no longer extends to national banks’ operating subsidiaries, the OCC is limited to the extent in which it can make preemption decisions, and when subject to judicial review, the OCC’s preemptive decisions must be supported by “substantial evidence” that they comply with the preemptive standard. These limitations on federal preemption may elevate our costs of compliance, while increasing litigation expenses as a result of plaintiff challenges and the risk of courts not giving deference to the OCC, as well as increasing complexity due to the lack of uniformity in state regulations. It is too early to determine how far reaching and deeply the limitations on federal preemption will impact our business and our competitors’ businesses.

The Act contains many other consumer related provisions, including provisions addressing mortgage reform. In the area of mortgage origination, there is the elimination of stated income loans, a requirement to apply a net tangible benefit test for all refinancing transactions, and a requirement to assure that mortgage credit is appropriately based on the borrower’s ability to repay. There are also numerous revised servicing requirements for mortgage loans.

The Act authorized the Federal Reserve Board to implement standards for assessing debit interchange fees that are reasonable and proportionate to the actual processing costs of the issuer. The Federal Reserve Board promulgated regulations effective October 1, 2011 that limit interchange fees in most cases to no more than the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction, plus the ability to charge an additional 1 cent per transaction if the issuer meets certain fraud-prevention standards. As a result of these limits, our revenues were reduced by approximately \$23 million and \$11 million in 2012 and 2011, respectively, compared to what they otherwise would have been without such limits.

The Act will have a significant impact on the operations of many financial institutions in the U.S., including the Bank, HSBC USA and HSBC Securities (USA) Inc. As the Act calls for extensive regulations to be promulgated to interpret and implement the legislation, a number of which still have not been adopted, it is not possible to precisely determine the impact to our operations and financial results at this time.

Bank Holding Company Supervision. As a registered bank holding company, HSBC USA is subject to regulation under the Bank Holding Company Act of 1956, as amended (“BHC Act”), and to inspection, examination and supervision by its primary regulator, the Federal Reserve Board. As a public issuer, HSBC USA is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the Commission.

HSBC USA has qualified as a financial holding company pursuant to the BHC Act and, accordingly, may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. “Financial in nature” activities include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking, and activities that the Federal Reserve Board, in consultation with the Secretary of the U.S. Treasury, determines from time to time to be financial in nature or incidental to such financial activity. “Complementary activities” are activities that the Federal Reserve determines upon application to be complementary to a financial activity and do not pose a safety and soundness risk.

Because HSBC USA is a financial holding company, if any of its subsidiary banks, including the Bank, receives a rating under the Community Reinvestment Act of 1977, as amended (“**CRA**”), of less than satisfactory, HSBC USA will be prohibited, until the rating is raised to satisfactory or better, from engaging in new activities or acquiring companies other than bank holding companies, banks, or savings associations, except that HSBC USA could engage in new activities, or acquire companies engaged in activities that are closely related to banking under the BHC Act. As reflected in the agreement entered into with the OCC on December 11, 2012 (the “**GLBA Agreement**”), the OCC has determined that the Bank is not in compliance with the requirements set forth in 12 U.S.C. § 24a(a)(2)(c) and 12 C.F.R. § 5.39(g)(1), which provide that a national bank and each depository institution affiliate of the national bank must be both well capitalized and well managed in order to own or control a financial subsidiary. As a result, HSBC USA and its parent holding companies no longer meet the qualification requirements for financial holding company status, and may not engage in any new types of financial activities without the prior approval of the Federal Reserve Board, and the Bank may not directly or indirectly acquire control of, or hold an interest in, any new financial subsidiary, nor commence a new activity in its existing financial subsidiary, unless it receives prior approval from the OCC. If all of HSBC USA’s affiliate depository institutions are not in compliance with these requirements within the time periods specified in the GLBA Agreement, as they may be extended, HSBC USA could be required either to divest the Bank or to divest or terminate any financial activities conducted in reliance on the Gramm-Leach-Bliley Act of 1999 (“**GLB Act**”). Similar consequences could result for subsidiaries of the Bank that engage in financial activities in reliance on expanded powers provided for in the GLB Act. The GLBA Agreement requires the Bank to take all steps necessary to correct the circumstances and conditions resulting in the Bank’s noncompliance with the requirements referred to above. HSBC USA has initiated steps to satisfy the requirements of the GLBA Agreement.

In December 2012, the Federal Reserve Board proposed an enhanced framework for the supervision of the U.S. operations of non-U.S. banks. The proposal would require certain large non-U.S. banks with significant operations in the United States to establish a single intermediate holding company to hold all of their U.S. bank and nonbank subsidiaries. The intermediate holding company would be subject to risk-based capital requirements, stress testing requirements, caps on single-counterparty exposures, enhanced risk management standards and enhanced governance and stress testing requirements for liquidity management, as well as other prudential standards. Building on prior regulatory guidance, a review by its Board of Directors would be formally required for many aspects of liquidity management. It further builds on concepts introduced by the U.S. regulators and bridges those principles to Basel III liquidity requirements. In addition, the intermediate holding company would also become subject to an early remediation regime with corrective measures of increasing severity triggered by capital, leverage, stress tests, liquidity and risk management, and market indicators. Under the proposal, these requirements would become effective on July 1, 2015. As described above, HSBC currently operates in the United States through such a structure (i.e., HSBC North America), and we do not expect the Federal Reserve's proposal to have a significant impact on our U.S. operations.

HSBC USA is generally prohibited under the BHC Act from acquiring, directly or indirectly, ownership or control of more than five percent of any class of voting shares of, or substantially all the assets of, or exercising control over, any U.S. bank, bank holding company or many other types of depository institutions and/or their holding companies without the prior approval of the Federal Reserve and potentially other U.S. banking regulatory agencies.

The GLB Act and the regulations issued thereunder contain a number of other provisions that affect HSBC USA’s operations and those of the Bank. One such provision contains detailed requirements relating to the financial privacy of consumers. In addition, the so-called ‘push-out’ provisions of the GLB Act removed the blanket exemption from registration for securities activities conducted in banks (including the Bank) under the Exchange Act of 1934, as amended. New rules have been published to implement these changes and, when effective, will allow banks to continue to avoid registration as a broker or dealer only if they conduct securities activities that fall within a set of defined exceptions.

Supervision of the Bank. The Bank and its affiliate, HSBC Trust Company (Delaware), National Association (“**HTCD**”), are subject to regulation and examination primarily by the OCC, and secondarily by the FDIC and, the Federal Reserve. The Bank and HTCD are subject to banking laws and regulations that place various restrictions on and requirements regarding their operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, payment of dividends and numerous other matters.

Federal law limits the extent to which the Bank may pay dividends to HSBC USA. The amount the Bank may pay, without specific OCC approval, is limited to the lesser of the amounts calculated under a “recent earnings” test and an “undivided profits” test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by the Bank in any calendar year is in excess of the current year’s net income combined with the retained net income of the two preceding years, unless the Bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of the Bank’s “undivided profits.” In addition, the OCC, the Federal Reserve Board, and the FDIC have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise, including HSBC USA and the Bank, if they would consider payment of such dividend to constitute an unsafe or unsound practice in light of the financial condition of the banking organization. The Bank is also required to maintain reserves in the form of vault cash and deposits with the Federal Reserve Bank.

The Federal Reserve Act limits the extent to which the Bank may transfer funds or other items of value to HSBC USA or other affiliates in so-called “covered transactions.” Covered transactions include loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, or unless a specific waiver is granted by the Federal Reserve Board, covered transactions by the Bank with a single affiliate are limited to 10 percent of the Bank’s capital and surplus and all covered transactions with affiliates in the aggregate, are limited to 20 percent of the Bank’s capital and surplus. Loans and extensions of credit to affiliates by the Bank generally are required to be secured in specified amounts with specific types of collateral. All of the Bank’s transactions with its non-bank affiliates are also generally required to be on arm’s length terms.

Federal Reserve Board policy states that a bank holding company, such as HSBC USA, is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. The Dodd-Frank Act has codified this requirement by providing that the appropriate Federal banking agency for a bank holding company shall require that a bank holding company must act as a source of strength to its depository institution subsidiaries. The Federal Reserve Board and other interested Federal banking agencies are directed to adopt rules implementing this provision, but to date no such rules have been proposed or adopted.

Regulatory Capital Requirements. As a bank holding company, HSBC USA is subject to regulatory capital requirements and guidelines imposed by the Federal Reserve Board, which are substantially similar to those imposed by the OCC and the FDIC on banks such as the Bank and HTCD. A bank or bank holding company’s failure to meet minimum capital requirements can result in certain mandatory actions and possibly additional discretionary actions by its regulators. Under current capital guidelines, a bank or a holding company’s assets and certain specified off-balance sheet commitments and obligations are assigned to various risk categories. A bank or holding company’s capital, in turn, is classified into one of three tiers. Tier 1 capital includes common equity, noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock at the holding company level, and minority interests in equity accounts of consolidated subsidiaries, less goodwill and certain other deductions. Tier 2 capital includes, among other things, perpetual preferred stock not qualified as Tier 1 capital, subordinated debt, and allowances for loan and lease losses, subject to certain limitations. Tier 3 capital includes qualifying unsecured subordinated debt. At least one-half of a bank’s total capital must qualify as Tier 1 capital. To be categorized as “well capitalized,” a banking institution must maintain specified capital minimum ratios and must not be subject to a directive, order or written agreement to meet and maintain specific capital levels. The federal bank regulatory agencies may, however, set higher capital requirements for an individual bank or when a bank’s particular circumstances warrant.

In December 2007, the U.S. federal banking regulators adopted the Basel II International Capital Accord (“**Basel II**”) advanced internal ratings based approach for credit risk and its advanced measurement approach for operational risk (taken together, the “Advanced Approaches”) for banking organizations having \$250 billion or more in total consolidated assets or \$10 billion or more of foreign exposures (referred to as “Advanced Approaches” banking organizations, which includes banking organizations such as HSBC North America and HSBC USA). The final rule became effective April 1, 2008, and requires large bank holding companies, including HSBC North America, to adopt its provisions subject to regulatory approval no later than April 1, 2011. While HSBC USA will not be subject to regulatory reporting of its capital ratios under the new rules, the Bank will be subject to reporting of its capital ratios under the new rules on a stand-alone basis. Adoption of the Advanced Approaches requires the approval of U.S. regulators and encompasses enhancements to a number of risk policies, processes and systems to align HSBC Bank USA with the Basel II requirements. We are uncertain as to when we will receive approval to adopt the Advanced Approaches from our primary regulator. We have integrated Basel II metrics into our management reporting and decision making process. We anticipate that the implementation of Basel II may impact our product offerings, funding of products and regulatory capital. However, any impact will be based on our prevailing risk profile. Basel II also requires that HSBC North America precede its adoption of the Basel II provisions by initiating a parallel run period for at least four quarters which was initiated in January 2010 by HSBC North America. As a result, we will support the parallel run period by supplying data relating to risk to HSBC North America.

In the wake of the financial crisis, in 2010 and 2011 the Basel Committee on Banking Supervision revised the Basel regulatory capital accord to address perceived deficiencies in the capital accord that were revealed by the crisis, and to enhance the resilience of the banking sector. Among other things, the new capital accord (“**Basel III**”), which member supervisors – including the U.S. banking agencies – must implement in their home jurisdictions on a staged basis commencing in 2013 and with general full effectiveness by the end of 2018, requires internationally active banks, among other things, to: maintain materially higher levels of capital, primarily in the form of common preferred equity, including supplementary countercyclical and capital conservation buffers; make an increased number of deductions from and adjustments to regulatory capital; comply with a new leverage capital requirement; apply substantially revised risk-weightings affecting classes of assets such as residential and commercial real estate loans, derivatives, cleared and uncleared counterparty exposures, equity exposures and securitization exposures; and compute their capital requirements resulting from trading book and related exposures by using “stressed” scenario inputs.

In June 2012, the federal banking agencies published for comment a series of rules (“NPRs”) that would broadly implement Basel III in the U.S. over a period of years beginning in 2013. In July 2013, the U.S. banking regulators adopted a final rule which consolidates the three NPRs released in June 2012 and implements the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision, and certain changes required by the Dodd-Frank Act. The final rule will materially increase the Bank’s and HSBC USA’s regulatory capital requirements over the next several years, and in particular will require the Bank and HSBC USA to maintain significantly higher levels of common equity capital. The final rule establishes an integrated regulatory capital framework to improve the quality and quantity of regulatory capital and introduces the “Standardized Approach” for risk weighted assets, which will replace the Basel I risk-based guidance for determining risk-weighted assets as of January 1, 2015. For the largest banking organizations, such as HSBC USA, the final rule is largely unchanged from the three NPRs and will take effect from January 1, 2014, but with a number of the provisions being phased in through to 2019. The final rule is also largely consistent with regard to the Standardized Approach, although it did not adopt modifications from the Basel I standards to the calculation of risk-weighting for mortgages as proposed.

Under Basel III and the final rule, when fully phased in on January 1, 2019, the Bank and HSBC North America would be required to maintain minimum risk-based capital ratios (exclusive of any capital surcharge for large, global systemically important banks or domestic systemically important banks, of 4.5 percent in common equity Tier 1 capital, total Tier 1 capital of 6 percent, and total capital of 8 percent. In addition, we would be required to maintain a capital conservation buffer of common equity Tier 1 capital, Tier 1 capital and total capital each of 2.5 percent. As a result, our effective minimum capital ratios on a fully-phased-in basis would be 7 percent common equity Tier 1 capital, percent Tier 1 capital, and 10.5 percent total capital, respectively. A market risk capital rule, which the federal banking regulators amended in August 2012, supplements both the general risk-based capital rules and the Basel II Advanced Approaches rules by requiring institutions subject to the rule to adjust their risk-based capital ratios to reflect the market risk in their trading activities. The rule applies to institutions with aggregate trading assets and liabilities equal to the lesser of (i) 10 percent or more of total assets or (ii) \$1 billion or more. The capital charge for market risk consists of two components: general market risk and specific risk. General market risk attempts to capture potential decreases in the market value of certain instruments resulting from broad market movements, such as changes in the general level of interest rates, equity prices, foreign exchange rates, or commodity prices. Banks are allowed to use their internal value-at-risk (“VaR”) models to calculate the capital requirement for general market risk. Banks are also required to conduct “backtesting” to measure the accuracy of their internal VaR models and may be required to adjust their capital requirements based upon the results of this backtesting. HSBC USA is subject to this rule, and we estimate that this rule will add up to 10% to HSBC USA’s December 31, 2012 Basel I risk-weighted asset levels.

Advanced Approaches banking organizations such as HSBC North America and the Bank participate in a “parallel run” wherein they must report both their Basel I (and in 2015, their Standardized Approach) risk-based ratios as well as their Advanced Approaches ratios to their primary federal regulator, and publicly disclose only their Basel I (or in 2015, their Standardized Approach) ratios. Upon receiving approval to exit parallel run, Advanced Approaches banking organizations would then publicly disclose both their risk-based and Advanced Approaches capital ratios. Although we began a parallel run period in January 2010, it is unclear as to when approval from the appropriate regulators will be received to exit parallel run.

The final rule has only recently been issued, is not yet in effect, and has not yet been the subject of regulatory guidance or interpretation. We continue to review the final rule and its impact on our regulatory capital.

In August 2012, U.S. regulators published a final rule (known in the industry as Basel 2.5), that would change the U.S. regulatory market risk capital rules to better capture positions for which the market risk capital rules are appropriate, reduce procyclicality, enhance the sensitivity to risks that are not adequately captured under current methodologies and increase transparency through enhanced disclosures. This final rule became effective January 1, 2013. This change is reflected in HSBC USA’s June 30, 2013 Basel I risk-weighted asset levels. In July 2013, the U.S. banking regulators proposed changes to the Basel 2.5 rule that would conform to changes in the final capital rules. We are currently reviewing the proposed changes to assess the impact on our regulatory capital.

U.S. regulators have issued regulations on capital planning for bank holding companies. Under the regulations, from January 1, 2012, U.S. bank holding companies with \$50 billion or more in total consolidated assets need to obtain approval of their annual capital plans prior to making capital distributions. Additionally, there are certain circumstances in which a bank holding company is required to provide prior notice for approval of capital distributions, even if included in an approved plan.

In January 2013, the Basel Committee issued revised Basel III liquidity rules, and HSBC North America is in the process of evaluating the Basel III framework for liquidity risk management. The framework consists of two liquidity metrics: the liquidity coverage ratio (“LCR”), designed to be a short-term measure to ensure banks have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 days, and the net stable funding ratio (“NSFR”), which is a longer term measure with a 12-month time horizon to ensure a sustainable maturity structure of assets and liabilities. The ratios are subject to an observation period and are expected to become established standards by 2015 and 2018, respectively. Based on the results of the observation periods, the Basel

Committee and the U.S. banking regulators may make further changes. We anticipate meeting these requirements prior to their formal introduction. HSBC USA and the Bank may need to increase its liquidity profile to support HSBC North America's compliance with the new rules. We are unable at this time, however, to determine the extent of changes HSBC USA and the Bank will need to make to its liquidity positions, if any.

Section 171 of the Dodd-Frank Act now requires U.S. depository institution holding companies to comply with the regulatory capital requirements applicable to insured depository institutions as of May 2010, and progressively disqualifies certain types of hybrid capital instruments, including trust preferred securities, from treatment as Tier 1 regulatory capital. In response to Section 171, the U.S. regulators adopted a final rule in 2011 to replace the transitional floors in the U.S. regulators' Basel II approaches with a permanent capital floor equal to the risk-based capital requirements under the U.S. regulators' Basel I risk-based capital guidelines. As a result, U.S. Advanced Approaches banking organizations will be required to calculate their risk-based capital ratios under both the agencies general risk-based capital rules and Basel II-based Advanced Approaches. The Advanced Approaches banking organizations will continue to use the current Basel I risk-based capital guidelines for purposes of the capital floor until January 1, 2015, when the Standardized Approach, discussed below, is proposed to take effect as the general risk-based capital guidelines for banking organizations not mandatorily subject to the Advanced Approaches.

In October 2012, the Federal Reserve Board published a final rule setting out the stress testing requirements for bank holding companies with \$50 billion or more in total consolidated assets. HSBC North America becomes subject to the rule from October 2013 and is expected to have to comply with the Federal Reserve Bank's Comprehensive Capital Analysis and Review program for its capital plan submission in January 2014. The Bank is also subject to stress testing requirements under OCC rules finalized in October 2012.

In addition, U.S. bank regulatory agencies have maintained the 'leverage' regulatory capital requirements that generally require U.S. banks and bank holding companies to maintain a minimum amount of capital in relation to their balance sheet assets (measured on a non-risk-weighted basis). These leverage requirements will be slightly increased under the final rule discussed above. Specifically, all banking organizations will continue to be subject to the U.S. regulators' existing minimum leverage ratio of 4.0% (calculated as the ratio of Tier 1 capital to average consolidated assets as reflected on the banking organization's consolidated financial statements, net of amounts deducted from capital). Additionally, Advanced Approaches banking organizations such as the Bank would become subject to a supplementary leverage ratio commencing January 1, 2015, with full implementation on January 1, 2018. The supplementary leverage ratio would have a minimum of 3% (calculated as the ratio of Tier 1 capital to average balance sheet exposures plus certain average off-balance sheet exposures).

From time to time, bank regulators propose amendments to or issue interpretations of risk-based capital guidelines. Such proposals or interpretations could, upon implementation, affect reported capital ratios and net risk weighted assets.

The following chart reflects the Bank's capital ratios and how they compare to the federal banking agencies' defined levels of capital at June 30, 2013:

	Tier 1 Leverage Ratio	Tier 1 Capital to Risk-Weighted Assets	Total Capital to Risk-Weighted Assets
HSBC Bank USA, National Association	9.03%	14.17%	19.22%
"Well Capitalized"	5.00%	6.00%	10.00%

At December 31, 2012, the Bank was categorized as "well capitalized" based on the ratios and guidelines noted above. In addition, we anticipate the Bank and HSBC North America will meet all new regulatory capital requirements well in advance of their formal introduction.

Prompt Corrective Action. The Federal Deposit Insurance Act ("**FDI Act**") provides the federal bank regulatory agencies with broad powers to take "prompt corrective action" with respect to FDIC-insured banks that do not meet certain minimum capital requirements. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Under regulations adopted by the OCC, a national bank is considered "well capitalized" if it has (1) a total risk-based capital ratio of 10% or greater, (2) a Tier 1 risk-based capital ratio of 6% or greater, (3) a leverage ratio of 5% or greater and (4) is not subject to any regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An "adequately capitalized" national bank is one that has (1) a total risk-based capital ratio of 8% or greater, (2) a Tier 1 risk-based capital ratio of 4% or greater, (3) a leverage ratio of 4% (generally) or greater and (4) does not meet the definition of a "well capitalized institution." A national bank is considered "undercapitalized" if it has (1) a total risk-based capital ratio of less than 8%, (2) a Tier 1 risk-based capital ratio of less than 4%, or (3) a leverage ratio of less than 4% (generally). A national bank is "significantly undercapitalized" if it has (1) a total risk-based

capital ratio of less than 6%, (2) a Tier 1 risk-based capital ratio of less than 3%, or (3) a leverage ratio of less than 3%. A national bank is “critically undercapitalized” if it has a ratio of tangible equity, as defined in the OCC’s regulations, to total assets of 2% or less.

The federal banking agencies’ June 2012 NPRs would make certain changes, in the form of increases in certain ratios, to these categories, which would become effective upon the enactment of any final regulations.

The OCC’s regulations establish various degrees of prompt corrective action required or permitted to be taken when a national bank is considered undercapitalized, significantly undercapitalized, or critically undercapitalized. Depending on the level of capital, the agency’s corrective powers can include:

- requiring a capital restoration plan;
- placing limits on asset growth and restrictions on activities;
- requiring the institution to issue additional stock (including voting stock) or to be acquired;
- placing restrictions on transactions with affiliates;
- restricting the interest rate the institution may pay on deposits;
- ordering a new election for the institution’s board of directors;
- requiring that certain senior executive officers or directors be dismissed;
- prohibiting the institution from accepting deposits from correspondent banks;
- requiring the institution to divest certain subsidiaries;
- prohibiting the payment of principal or interest on subordinated debt;
- prohibiting the institution’s holding company from making capital distributions without prior regulatory approval; and
- ultimately, appointing a receiver for the institution.

If a bank is undercapitalized, its holding company is required to guarantee that the institution will comply with any capital restoration plan submitted to and approved by the OCC in an amount equal to the lesser of (1) 5% of the institution’s total assets at the time the institution became undercapitalized or (2) the amount which is necessary, or would have been necessary, to bring the institution into compliance with all applicable capital standards as of the time the institution fails to comply with the capital restoration plan.

With respect to the capital ratios discussed above, we were considered “well capitalized” as of June 30, 2012. Similarly, under the guidelines applicable to financial holding companies, Bank of America was considered “well-capitalized” as of June 30, 2012.

FDIC Insurance. Deposits placed at the Bank and HTCD are insured by the FDIC, subject to the limitations and conditions of applicable law and the FDIC’s regulations. The FDIC insurance coverage limits are \$250,000 per depositor. The Bank and HTCD are subject to risk-based assessments from the FDIC. Currently, depository institutions subject to assessment are categorized based on supervisory ratings, financial ratios and, in the case of larger institutions, long-term debt issuer ratings, with those in the highest rated categories paying lower assessments. While the assessments are generally payable quarterly, the FDIC also has the authority to impose special assessments to prevent the deposit insurance fund from declining to an unacceptable level. Pursuant to this authority, the FDIC imposed a 5 basis point special assessment on June 30, 2009. In November 2009, the FDIC amended its regulations to require depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 on or before December 30, 2009. Beginning with the second quarter 2011, FDIC assessments are based on average consolidated total assets and risk profile.

Conservatorship and Receivership Powers of the FDIC. The FDI Act contains broad grounds for appointing a conservator or receiver of an FDIC-insured depository institution. In addition to insolvency and certain other grounds, a conservator or receiver may be appointed if such an institution becomes “critically undercapitalized” or if it is “undercapitalized” and (1) has no reasonable prospect of becoming “adequately capitalized,” (2) fails to become “adequately capitalized” when required to do so under FDICIA’s prompt corrective action provisions, (3) fails to submit an acceptable capital restoration plan within prescribed time limits, or (4) materially fails to implement an accepted capital restoration plan. In addition to being appointed conservator or receiver of a national bank by the OCC, the FDIC may appoint itself as conservator or receiver of a national bank under some circumstances.

Under the “cross-guarantee” provisions of the FDI Act, a bank insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (1) the default of a commonly-controlled FDIC-insured depository institution or (2) any assistance provided by the FDIC to a commonly-controlled FDIC-insured depository institution in danger of default. The term “default” is defined to mean the appointment of a conservator or receiver for such institution, and “in danger of default” is defined generally as the existence of certain conditions indicating that a “default” is likely to occur in the absence of regulatory assistance. Under this statutory provision, we could be liable to the FDIC in the event of a default of, or any FDIC assistance to, any other FDIC-insured depository institution controlled by HSBC USA. This liability to the FDIC would be subordinated in right of payment to deposit liabilities, secured obligations, or any other general or senior liabilities, including liabilities under the bank notes. Imposition of this liability to the FDIC, however, could result in our conservatorship or receivership.

If the FDIC were appointed as our receiver, holders of Notes would be unsecured creditors entitled to share in our assets on a *pari passu* basis with our other unsecured creditors of equal priority. See, Description of Notes—Ranking.” Holders of Notes would be unlikely to have a claim for more than principal and interest accrued through the date of the FDIC’s appointment as receiver. In any event, the amount paid on claims in respect of the Notes would depend upon, among other factors, the amount of our assets available for the payment of unsecured claims. In addition to possible loss of principal, holders of Notes might not be able, depending upon economic conditions, to reinvest amounts received in respect of the claim at a rate of interest comparable to that paid on the Notes. Moreover, they could experience significant delay in receiving any payment in respect of their claims, with interest not being payable during the period of any delay. In the event of our insolvency, the FDIC has the discretion to use its own assets, as opposed to our assets, to satisfy the claims of some, but not all, of our creditors. The FDIC also has the power to transfer to a new obligor any of our assets and liabilities, including the Notes, without the approval or consent of their holders or any of our other creditors. In accordance with provisions of the FDI Act, the FDIC generally is required to satisfy its obligations to a bank’s insured depositors at the least possible cost to the Deposit Insurance Fund.

Under the FDI Act, the FDIC may not take any action that would have the effect of increasing the losses to the Deposit Insurance Fund by protecting bank depositors for more than the insured portion of deposits (generally, at least \$250,000 per customer) or bank creditors other than depositors (such as holders of the Notes). The FDIC also is authorized to settle all uninsured and unsecured claims in the insolvency of an insured bank by making a final settlement payment after the declaration of insolvency. The rate of such final settlement payments would be a percentage rate determined by the FDIC reflecting an average of the FDIC’s receivership recovery experience. Such a payment would constitute full payment and disposition of the FDIC’s obligations to claimants, regardless of the assets of the insolvent institution actually available for distribution to creditors.

In addition, if an insured depository institution becomes insolvent and the FDIC is appointed its conservator or receiver, the FDIC may disaffirm or repudiate any contract or lease to which the institution is a party, the performance of which is determined to be burdensome, and the disaffirmance or repudiation of which is determined to promote the orderly administration of the institution’s affairs. If the FDIC was to successfully contend that its power to repudiate “contracts” extends to obligations such as the Notes, the effect of any repudiation would be to accelerate the maturity of the Notes. Repudiation would result in a claim of the holders of the Notes against the receivership for principal and interest accrued through the date of the appointment of the conservator or receiver. The amount paid upon this claim would depend upon, among other factors, the amount of receivership assets available for the payment of unsecured claims and the priority of this claim relative to the priority of other unsecured creditors and depositors. If the maturity of the Notes were so accelerated, and a claim relating to the Notes were paid by the conservatorship or receivership, the holders of the Notes might not be able, depending upon economic conditions, to reinvest any amounts paid on the Notes at a rate of interest comparable to that paid on the Notes. In addition, the FDIC, as conservator or receiver, may enforce most types of contracts, including the Notes, according to their terms, notwithstanding any provision permitting Note holders to accelerate payment.

Federal law provides that the claims of a receiver of an insured depository institution for administrative expenses and the claims of holders of deposit liabilities of the institution, including the FDIC as the subrogee of holders of insured deposits, will have priority over the claims of general unsecured creditors of the institution, including the holders of obligations such as the Notes, in the event of a liquidation or other resolution of the institution. Under FDIC rules, “administrative expenses” of a receiver include expenses, including pre-failure and post-failure obligations, incurred by a receiver in liquidating or resolving the affairs of a failed insured depository institution. Thus, those claims would receive priority over the claims of holders of Notes in the event of our liquidation or other resolution.

As a result of the provisions described above, in the event of an FDIC receivership of the Bank, holders of Notes could receive significantly less than holders of deposit obligations or certain employee claims and our other general creditors.

Notwithstanding any other provisions contained in the Notes, the FDIC, as receiver or conservator of the Bank, has the right in the performance of its legal duties, and as part of any transaction or plan of reorganization or liquidation designed to protect or further the continued existence of the Bank or the rights of any parties or agencies with an interest in, or claim against, the Bank or its assets, to transfer or direct the transfer of the obligations represented by the Notes to any national banking association, state bank or

bank holding company selected by such entity which shall expressly assume the obligation of the due and punctual payment of the unpaid principal, premium, if any, and interest on the Notes and the due and punctual performance of all covenants and conditions; and the completion of such transfer and assumption shall serve to supersede and void any default, acceleration or subordination which may have occurred, or which may occur due or related to such transaction, plan, transfer or assumption, pursuant to the provisions of the Notes, and shall serve to return the holders of Notes to the same position, other than for substitution of the obligor, they would have occupied had no default, acceleration or subordination occurred; except that any interest and principal (and premium, if any) previously due, other than by reason of acceleration, and not paid shall, in the absence of a contrary agreement by the holders of the Notes, be immediately due and payable as to the date of such transfer and assumption, together with the interest from its original due date at the rate provided for in the Notes.

Bank Secrecy Act/Anti-Money Laundering. The USA Patriot Act (the “**Patriot Act**”), imposes significant record keeping and customer identity requirements, expanded the government’s powers to freeze or confiscate assets and increases the available penalties that may be assessed against financial institutions for violation of the requirements of the Patriot Act intended to detect and deter money laundering. The U.S. Treasury Secretary has developed and implemented final regulations with regard to the anti-money laundering compliance obligations of financial institutions (a term which includes insured U.S. depository institutions, U.S. branches and agencies of foreign banks, U.S. broker-dealers and numerous other entities). The U.S. Treasury Secretary has delegated certain authority to a bureau of the U.S. Treasury Department known as the Financial Crimes Enforcement Network (“**FinCEN**”).

Many of the anti-money laundering compliance requirements of the Patriot Act, as implemented by FinCEN, are generally consistent with the anti-money laundering (“**AML**”) compliance obligations that applied to the Bank under the Bank Secrecy Act (“**BSA**”) and applicable Federal Reserve Board regulations before the Patriot Act was adopted. These include requirements to adopt and implement an anti-money laundering program, report suspicious transactions and implement due diligence procedures for certain correspondent and private banking accounts. Certain other specific requirements under the Patriot Act involve compliance obligations. The Patriot Act has improved communication between law enforcement agencies and financial institutions. The Patriot Act and other recent events have also resulted in heightened scrutiny of the Bank Secrecy Act and anti-money laundering compliance programs by bank regulators.

In October 2010, the Bank entered into a consent cease and desist order with the OCC and HSBC North America entered into a consent cease and desist order with the Federal Reserve Board. These actions required improvements to establish an effective compliance risk management program across our U.S. businesses, including various issues relating to BSA and AML compliance. Steps continue to be taken to address the requirements of the consent order to ensure compliance, and that effective policies and procedures are maintained. In December 2012, the Bank, HSBC and HSBC North America entered into agreements to achieve a resolution with U.S. and United Kingdom government agencies regarding past inadequate compliance with AML, BSA and sanctions laws, including the investigations by the U.S. Department of Justice, the Federal Reserve, the OCC and the U.S. Department of Treasury's Financial Crimes Enforcement Network in connection with AML/BSA compliance, including cross-border transactions involving HSBC USA’s cash handling business in Mexico and banknotes business in the U.S. and historical transactions involving parties subject to the Office of Foreign Assets Control (“**OFAC**”) economic sanctions. As part of the resolution, HSBC and the Bank entered into a five-year deferred prosecution agreement with the U.S. Department of Justice, the United States Attorney's Office for the Eastern District of New York, and the United States Attorney's Office for the Northern District of West Virginia (the “**US DPA**”), and HSBC entered into a two-year deferred prosecution agreement with the New York County District Attorney (the “**DANY DPA**”), and HSBC consented to a cease and desist order and a monetary penalty order with the Federal Reserve. In addition, the Bank entered into a monetary penalty consent order with FinCEN and a separate monetary penalty order with the OCC. HSBC also entered into an undertaking with the U.K. Financial Services Authority, now a Financial Conduct Authority (“**FCA**”) Direction, to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Under these agreements, HSBC and the Bank made payments totaling \$1.921 billion to U.S. authorities, of which \$1.381 billion was attributed to and paid by the Bank, and are continuing to comply with ongoing obligations. Over the five-year term of the agreements with the U.S. Department of Justice and the FCA, an independent monitor (who also will be, for FCA purposes, a “skilled person” under Section 166 of the Financial Services and Markets Act) will evaluate HSBC's progress in fully implementing its obligations, and will produce regular assessments of the effectiveness of HSBC's compliance function. Michael Cherkasky has been selected as the independent monitor and in July 2013, the United States District Court for the Eastern District of New York approved the US DPA. The US DPA remains pending under the jurisdiction of the United States District Court for the Eastern District of New York. If HSBC and the Bank fulfill all of the requirements imposed by the US DPA, the U.S. Department of Justice's charges against those entities will be dismissed at the end of the five-year period of that agreement. Similarly, if HSBC fulfills all of the requirements imposed by the DANY DPA, the New York County District Attorney’s charges against it will be dismissed at the end of the two-year period of that agreement. The U.S. Department of Justice may prosecute HSBC or the Bank in relation to the matters that are subject of the US DPA if HSBC or the Bank breaches the terms of the US DPA, and DANY may prosecute HSBC in relation to the matters which are the subject of the DANY DPA if HSBC violates the terms of the DANY DPA.

The Bank also entered into a separate consent order with the OCC requiring it to correct the circumstances and conditions as noted in the OCC's then most recent report of examination, imposing certain restrictions on the Bank directly or indirectly acquiring control of, or holding an interest in, any new financial subsidiary, or commencing a new activity in its existing financial subsidiary, unless it receives prior approval from the OCC. The Bank also entered into a separate consent order with the OCC requiring it to adopt an enterprise-wide compliance program.

The settlement with the U.S. and U.K. government agencies does not preclude private litigation relating to, among other things, HSBC's compliance with applicable AML, BSA and sanctions laws or other regulatory or law enforcement action for AML, BSA or sanctions matters not covered by the various agreements.

Consumer Lending Activities. Our consumer lending businesses operate in a highly regulated environment. These businesses are subject to laws relating to consumer protection including, without limitation, fair lending, use of credit reports, privacy matters, and disclosure of credit terms and correction of billing errors. Local, state and national regulatory agencies continue efforts to address perceived problems within the mortgage lending and credit card industries through broad or targeted legislative or regulatory initiatives aimed at lenders' operations in consumer lending markets. There continues to be a significant amount of legislative activity, nationally, locally and at the state level, aimed at curbing certain lending practices. Depending on the underlying issue and applicable law, federal and state regulators often are authorized to impose penalties for violations of these statutes and, in certain cases, to order banks to compensate injured borrowers. Borrowers may also have a private right of action for certain violations. Federal bankruptcy and state debtor relief and collection laws affect the ability of the Bank to collect outstanding balances owed by borrowers. These laws may affect the ability of the Bank to collect outstanding balances

On May 22, 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "**CARD Act**") was signed into law with likely significant impact on the credit card industry. The CARD Act primarily amends the Truth in Lending Act by adding a number of new substantive and disclosure requirements building upon the Regulation AA and Regulation Z requirements previously adopted by the Federal Reserve Board. The Federal Reserve Board's implementing rules implement the majority of the CARD Act provisions which, among other things, restrict application of interest rate increases on new and existing balances, prescribe the manner in which payments in excess of the minimum payment may be allocated to amounts due and when penalty rates may be charged on past due balances, and require customers to opt-in to over limit fee assessments. Federal Reserve Board rules also address the reasonableness and proportionality of penalty fees and charges and require that accounts subjected to prior interest rate increases be periodically re-evaluated for interest rate decreases. The CARD Act also requires other government agencies to conduct studies on interchange, debt cancellation agreements and credit insurance products and present reports to Congress on these topics. The implementation of the new rules did not have a material adverse impact on us, as any impact was limited to only a portion of the existing credit card loan portfolio as, historically, the purchase price on credit card sales volume paid to HSBC Finance was adjusted prospectively to reflect the new requirements and the impact on future cash flows. Following the sale of the of HSBC's Card and Retail Services business to Capital One, as discussed above, we no longer purchase credit card receivables from HSBC Finance, which will further limit the impact of these new rules..

Due to the turmoil in the mortgage lending markets, there has also been a significant amount of federal and state legislative and regulatory focus on this industry. Several regulators, legislators and other government bodies have promoted particular views of appropriate or "model" loan modification programs, suitable loan products and foreclosure and loss mitigation practices. We have developed a modification program that employs procedures that we believe are most responsive to our customers' needs and continue to enhance and refine these practices as other programs are announced, and we evaluate the results of our customer assistance efforts.

In April 2011, the Bank entered into a consent cease and desist order with the OCC (the "**OCC Servicing Consent Order**") and our affiliate, HSBC Finance Corporation, and our common indirect parent, HSBC North America entered into a similar consent order with the Federal Reserve Board (together with the OCC Servicing Consent Order, the "**Servicing Consent Orders**") following completion of a broad horizontal review of industry foreclosure practices. The OCC Servicing Consent Order requires the Bank to take prescribed actions to address the deficiencies noted in the joint examination and described in the consent order. We continue to work with our regulators to align our processes with the requirements of the Servicing Consent Orders and are implementing operational changes as required. The Servicing Consent Orders required an independent review of foreclosures (the "**Independent Foreclosure Review**") pending or completed between January 2009 and December 2010 to determine if any borrower was financially injured as a result of an error in the foreclosure process. As required by the Servicing Consent Orders, an independent consultant was retained to conduct that review. On February 28, 2013, the Bank entered into an agreement with the OCC, and our indirect parent, HSBC North America, and our affiliate, HSBC Finance Corporation, entered into an agreement with the Federal Reserve Board (together, the "**IFR Settlement Agreements**"), pursuant to which the Independent Foreclosure Review has ceased and been replaced by a broader framework under which the HSBC USA and twelve other participating servicers will, in the aggregate, provide in excess of \$9.3 billion in cash payments and other assistance to help eligible borrowers. Pursuant to the IFR Settlement Agreements, HSBC North America made a cash payment of \$96 million into a fund that will be used to make payments to borrowers that were in active foreclosure during 2009 and 2010 and, in addition, will provide other assistance (e.g. loan modifications) to help eligible borrowers.

The mailing of checks to eligible borrowers by Rust Consulting, Inc., the paying agent, has begun and is targeted for completion during the third quarter of 2013. Borrowers who receive compensation will not be required to execute a release or waiver of rights and will not be precluded from pursuing litigation concerning foreclosure or other mortgage servicing practices. For participating servicers, including the Bank and HSBC Finance Corporation, fulfillment of the terms of the IFR Settlement Agreements will satisfy the Independent Foreclosure Review requirements of the Servicing Consent Orders, including the wind down of the Independent Foreclosure Review.

The Servicing Consent Orders do not preclude additional enforcement actions against the Bank or our affiliates by bank regulatory, governmental or law enforcement agencies, such as the U.S. Department of Justice or State Attorneys General, which could include the imposition of civil money penalties and other sanctions relating to the activities that are the subject of the Servicing Consent Orders. Pursuant to the IFR Settlement Agreement with the OCC, however, the OCC has agreed that it will not assess civil money penalties or initiate any further enforcement action with respect to past mortgage servicing and foreclosure-related practices addressed in the Servicing Consent Orders, provided the terms of the IFR Settlement Agreement are fulfilled. The OCC's agreement not to assess civil money penalties is further conditioned on HSBC North America making payments or providing borrower assistance pursuant to any agreement that may be entered into with the U.S. Department of Justice in connection with the servicing of residential mortgage loans within two years. The Federal Reserve has agreed that any assessment of civil money penalties by the Federal Reserve will reflect a number of adjustments, including amounts expended in consumer relief and payments made pursuant to any agreement that may be entered into with the U.S. Department of Justice in connection with the servicing of residential mortgage loans. In addition, the IFR Settlement Agreements do not preclude private litigation concerning these practices.

Separate from the Servicing Consent Orders and the settlement related to the Independent Foreclosure Review discussed above, in February 2012, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development and State Attorneys General of 49 states announced a settlement with the five largest U.S. mortgage servicers with respect to foreclosure and other mortgage servicing practices. Following the February 2012 settlement, these government agencies initiated discussions with other mortgage industry servicers. The Bank, together with our affiliate HSBC Finance Corporation, has had discussions with U.S. bank regulators and other governmental agencies regarding a potential resolution, although the timing of any settlement is not presently known. Any such settlement, however, may not completely preclude other enforcement actions by state or federal agencies, regulators or law enforcement agencies related to foreclosure and other mortgage servicing practices, including, but not limited to, matters relating to the securitization of mortgages for investors. In addition, such a settlement would not preclude private litigation concerning these practices.

Competition. Following the enactment of the GLB Act, HSBC USA elected to be treated as a financial holding company. The GLB Act also eliminated many of the regulatory restrictions on providing financial services. The GLB Act allows for financial institutions and other providers of financial products to enter into combinations that permit a single organization to offer a complete line of financial products and services. Therefore, we face intense competition in all of the markets we serve, competing with both other financial institutions and non-banking institutions such as insurance companies, major retailers, brokerage firms and investment companies. The financial services industry has experienced consolidation in recent years as financial institutions involved in a broad range of products and services have merged, been acquired or dispersed. This trend is expected to continue and has resulted in, among other things, greater concentrations of deposits and other resources. It is likely that competition will become more intense as our businesses compete with other financial institutions that have or may acquire access to greater liquidity or that may have a stronger presence in certain geographies.

USE OF PROCEEDS

The Bank intends to use the net proceeds from the sale of the Notes for general corporate purposes, including meeting the Bank's cash and capital needs, supporting the acquisition of assets from HSBC Finance, funding for investment in and advances to subsidiaries, supplementing the Bank's capital position and repaying maturing debt.

DESCRIPTION OF NOTES

The following summaries of certain provisions of the Notes do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Notes, including the definitions therein of certain terms. The terms and conditions with respect to a Series of Notes will be as set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, which will supplement, replace or modify the general terms and conditions contained in this Offering Circular. The terms and conditions set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, with respect to a Series of Notes will prevail in the event of any conflict with the general terms and conditions contained in this Offering Circular.

The Notes do not evidence deposits and are not insured by the FDIC or any other governmental entity of any jurisdiction.

The Notes are solely obligations of the Bank and are neither obligations of, nor guaranteed by, HSBC USA or any other affiliate of the Bank.

General

The Notes will be issued pursuant to a Third Amended and Restated Agency Agreement, dated as of September 27, 2013 (as amended, modified or supplemented from time to time, the “**Agency Agreement**”), among HSBC Bank USA, National Association, as issuer (the “**Bank**”), HSBC Bank USA, National Association, as issuing and principal paying agent (in such capacities, the “**Global Agent**,” which term includes any successor in its capacity as such) and registrar (in such capacity, the “**Registrar**,” which term includes any successor in its capacity as such), HSBC Bank plc, as London issuing agent (in such capacity, the “**London Issuing Agent**,” which term includes any successor in its capacity as such), London paying agent (in such capacity, the “**London Paying Agent**,” which term includes any successor in its capacity as such) and London transfer agent, and the other paying agents named therein (together with the Global Agent and the London Paying Agent, the “**Paying Agents**,” which term includes any additional or successor paying agents appointed by the Bank). The Agency Agreement permits the appointment of other agents, including a calculation agent (the “**Calculation Agent**”), a currency exchange agent (the “**Exchange Agent**”) and one or more transfer agents (together, the “**Transfer Agents**”). A copy of the Agency Agreement, which includes the forms of Notes, is available for inspection at the offices of the Paying Agents located at the addresses listed on the inside back cover of this Offering Circular, and will be made available at the securities exchange, listing authority or quotation system, if any, on which a Series of Notes is listed, quoted or traded. The following summaries of certain provisions of the Agency Agreement and the Notes do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Agency Agreement and the Notes, including the definitions therein of certain terms.

Because the Notes will not be issued pursuant to an indenture, each holder will be responsible for acting independently with respect to certain matters affecting such holder’s Note, including accelerating the maturity thereof upon the occurrence of an Event of Default (as defined herein), enforcing any covenants contained therein and responding to any requests for consents, waivers or amendments. See “—Events of Default.”

The terms and conditions set forth below will apply to each Note unless otherwise specified herein or in any Program Supplement, Pricing Supplement or Final Terms or other supplement hereto, or in the applicable Note. The terms of the Notes described herein, including the maturities and interest rates, may differ from one Note to another. The terms of a Tranche of Notes (as defined below) will be set forth in the Final Terms relating to such Tranche, substantially in the form of Annex A hereto (or in such other form as may be agreed between the Bank and the initial purchaser(s) of such Tranche) or will be set forth in the Pricing Supplement relating to such Tranche, substantially in the form of Annex B hereto or in such other form (such as a Program Supplement) as may be agreed between the Bank and the initial purchaser(s) of such Tranche.

As used herein, “Series” means all Notes which are denominated in the same currency and which have the same Stated Maturity Date (as defined herein), interest payment basis and interest payment dates, if any, and the terms of which, except for the Original Issue Date (as defined herein) and/or the issue price, are otherwise identical, including whether the Notes are listed, quoted or traded on or by any securities exchange, competent listing authority or quotation system. As used herein, “Tranche” means all Notes of the same Series with the same Original Issue Date and issue price.

The maximum aggregate principal amount of Notes that the Bank may issue under the Program is limited to U.S.\$40,000,000,000 (or the equivalent thereof in other currencies, calculated as described herein) at any time outstanding; provided, however, that the aggregate principal amount of Notes with maturities greater than 270 days that may be issued hereunder will not exceed U.S.\$40,000,000,000 (or the equivalent thereof in other currencies, calculated as described herein). For the purpose of calculating the U.S. Dollar equivalent of the aggregate principal amount of Notes issued from time to time:

(a) the U.S. Dollar equivalent of Notes denominated in a Specified Currency (as defined herein) other than U.S. Dollars shall be determined by the Global Agent as of 2:30 p.m., London time, on the Original Issue Date for such Notes by reference to the London Paying Agent's middle market spot rate for U.S. Dollars against the Specified Currency on the London Banking Day (as defined herein) immediately preceding the date on which the Global Agent receives the Bank's instruction to issue the Notes;

(b) the U.S. Dollar equivalent of Dual Currency Notes, Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes and Equity-Linked Notes (each as herein defined) shall be determined by the Global Agent in the manner specified in clause (a) above by reference to the original principal amount of such Notes;

(c) the principal amount of Zero Coupon Notes (as defined herein) and any other Notes issued at a discount shall be deemed to be the U.S. Dollar equivalent, determined in the manner specified in clause (a) above, of the net proceeds received by the Bank for the relevant issue; and

(d) the U.S. Dollar equivalent of Partly Paid Notes (as defined herein) shall be determined by the Global Agent in the manner specified in clause (a) above by reference to the principal amount thereof regardless of the amount of money paid up on such Notes.

"London Banking Day" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

The aggregate principal amount of Notes outstanding at any time is subject to, and will be limited by, the then existing grant of authority by the Bank's Board of Directors. This Offering Circular will be amended or supplemented to indicate any increase in the grant of authority which may result in Notes outstanding or issued in an aggregate principal amount in excess of the amount set forth above. In addition to the Notes, the Bank may issue promissory notes and other obligations evidencing indebtedness or liabilities of the Bank, including deposit instruments, in an unlimited principal amount.

Each Note will be denominated in such currency (the **"Specified Currency"**) as may be selected by the initial purchaser(s) and agreed to by the Bank, including U.S. Dollars, Euro, Sterling and Yen. The Specified Currency with respect to any Note will be specified therein and in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Purchasers of Notes are required to pay for such Notes by delivery of the requisite amount of the Specified Currency to the Global Agent, unless other arrangements have been made. The Bank will be obligated to make payments of principal of, and premium, if any, and interest on the Notes in the applicable Specified Currency. Any amounts paid by the Bank in respect of DTC Global Notes denominated other than in U.S. Dollars will, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, be converted into U.S. Dollars for payment to the holders thereof as described under "Payment of Principal, Premium and Interest." Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, payments on any other Registered Global Notes (as defined herein) will be made in the applicable Specified Currency in the country issuing the Specified Currency (or in the case of Euro, in any country then participating in the European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam (such first mentioned Treaty as so amended, the **"Treaty"**)). See "Payment of Principal, Premium and Interest."

In the event that any Specified Currency has been replaced by another currency (a **"Replacement Currency"**), any amount due pursuant to any Note denominated in the Specified Currency may be repaid, at the option of the Bank, in the Replacement Currency or in U.S. Dollars, at a rate of exchange which takes into account the conversion, at the rate prevailing on the most recent date on which official conversion rates were quoted or set by the national government or other authority responsible for issuing the Replacement Currency, from the Specified Currency to the Replacement Currency and, if necessary, the conversion of the Replacement Currency into U.S. Dollars at the rate prevailing on the date of such conversion. Notwithstanding the foregoing, if, pursuant to the Treaty, all or some of the currencies of the member countries of the European Community are replaced by the Euro, the payment of principal of, and premium, if any, or interest on, any Note denominated in any such currency shall be effected in Euro at such time as is required by, and otherwise in conformity with, legally applicable measures adopted with reference to the European economic and monetary union.

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, and unless previously redeemed or repaid, each Note will mature on a date (the **"Stated Maturity Date"**) seven days or more from the date on which such Note was originally issued (the **"Original Issue Date"**), as selected by the initial purchaser(s) and agreed to by the Bank, except that Subordinated Notes will have minimum maturities of five years and one day from the Original Issue Date. Notes denominated in other currencies will have such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank or equivalent body (however designated) or any laws or regulations applicable to the Bank or the relevant currency. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Floating Rate Notes will mature on an Interest Payment Date (as defined herein).

The Notes will be issued in fully registered form (“**Registered Notes**”), as described below under “—Form of Notes and Registration,” and, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold to accredited investors pursuant to Part 16.6 of the OCC’s securities offering regulations (12 C.F.R. Part 16.6) will be issued only in minimum denominations of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof (or equivalent denominations in other currencies). Unless otherwise specified in the applicable Final Terms or Pricing Supplement, Notes sold to accredited investors in accordance with Regulation D under the Securities Act and Part 16.7 of the OCC’s securities offering regulations (12 C.F.R. Part 16.7) will be issued in minimum denominations of \$250,000 and integral multiples of U.S.\$1,000 in excess thereof. Unless otherwise provided in the applicable Final Terms or Pricing Supplement, Notes offered and sold to accredited investors as described in either of the two preceding sentences will be offered and sold only to institutional accredited investors. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Notes sold pursuant to Regulation S will be issued only in a minimum denomination of €100,000, and integral multiples of €1,000 in excess thereof (or its equivalent in other currencies).

Notes (including Notes denominated in Sterling) having a maturity of less than one year may be subject to restrictions on their denomination and distribution.

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest-bearing Notes will bear interest at either fixed rates (“**Fixed Rate Notes**”) or floating rates (“**Floating Rate Notes**”), as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Notes may be issued at discounts from their principal amount payable on the Stated Maturity Date (or on any prior date on which the principal, or an installment of principal, of a Note becomes due and payable, whether by the declaration of acceleration, call for redemption at the option of the Bank, repayment at the option of the holder or otherwise) (each such date, a “**Maturity**”), and some Notes may not bear interest (“**Zero Coupon Notes**”).

No recourse shall be had for the payment of principal of, premium, if any, or interest on, any Note, for any claim based thereon, or otherwise in respect thereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor entity. The Notes will not contain any provision that would provide protection to the holders of the Notes against a sudden and dramatic decline in credit quality resulting from a merger, takeover, recapitalization, or similar restructuring of the Bank or of HSBC USA or any other event involving the Bank or HSBC USA that may adversely affect the credit quality of the Bank.

As used herein, “**Business Day**” means, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, 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, regulation or executive order to close in The City of New York; provided, however, that, with respect to Notes issued in a Specified Currency other than U.S. Dollars, such day is also not a day on which banking institutions are authorized or required by law, regulation or executive order to close in the principal financial center of the country of the Specified Currency (unless the Specified Currency is Euro, in which case such day is also not a Saturday or Sunday and is not a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (“**Target2**”) is closed; provided, further, that, with respect to Notes as to which LIBOR is an applicable Interest Rate Basis, such day is also a London Banking Day.

If any payment is due on the Notes on a day that would otherwise be a Business Day but is a day on which the office of a Paying Agent or a settlement system is closed, we will make the payment on the next Business Day when that Paying Agent or system is open. Any such payment will be deemed to have been made on the original due date, and no additional payment will be made on account of the delay. A postponement of this kind will not constitute a default under any of the Notes or the Agency Agreement.

Ranking

Senior Notes. The obligations evidenced by the Senior Notes will rank *pari passu* with all other unsecured and unsubordinated obligations of the Bank, except obligations, including domestic deposits, that are subject to any priorities or preferences by law. Under applicable U.S. law, claims of certain creditors of the Bank, including holders of domestic deposits, would be entitled to priority over claims of unsecured general creditors of the Bank, including holders of the Senior Notes, in the event of a liquidation or other resolution of the Bank. See “Supervision, Regulation and Other Matters—Effect of Insolvency on the Notes.”

Subordinated Notes. The indebtedness of the Bank evidenced by the Subordinated Notes, including principal, premium, if any, and interest, will be unsecured and subordinate and junior in right of payment to the Bank’s obligations to its depositors, its obligations under bankers’ acceptances and letters of credit, and its obligations to its other creditors (including any obligations to any Federal Reserve Bank and the FDIC, any rights acquired by the FDIC as a result of loans made by the FDIC to the Bank or the purchase or guarantee of any assets by the FDIC pursuant to 12 U.S.C. 1823(c), (d) or (e) (and any obligations to holders of Senior Notes), whether now outstanding or hereafter incurred, other than any obligations which by their express terms rank on a parity with, or junior to, the Subordinated Notes. In the event of any insolvency, receivership, conservatorship, reorganization, readjustment of

debt, marshaling of assets and liabilities or similar proceedings or any liquidation or winding up of or relating to the Bank, whether voluntary or involuntary, all such obligations (except obligations which rank on a parity with, or junior to, the Subordinated Notes) shall be entitled to be paid in full before any payment shall be made on account of the principal of, or premium, if any, or interest on the Subordinated Notes. In the event of any such proceedings, after payment in full of all sums owing on such prior obligations, the holders of the Subordinated Notes, together with the holders of any obligations of the Bank ranking on a parity with the Subordinated Notes, shall be entitled to be paid from the remaining assets of the Bank the unpaid principal of and the unpaid premium, if any, and interest on, the Subordinated Notes or such other obligations before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to the Subordinated Notes. To the fullest extent permitted by law, holders of Subordinated Notes, in respect of any claims of such holders to payment of principal, premium or interest in respect of Subordinated Notes, by their acceptance of the Subordinated Notes, will be deemed to have waived any right of set-off or counterclaim that such holders might otherwise have (whether in the Bank's liquidation or at any other time). The holders of Subordinated Notes, by their acceptance of the Subordinated Notes, covenant and agree that if, on the winding up of the Bank, they receive any sums by way of set-off, they will hold such sums in trust for the Bank's creditors and will, without undue delay, pay such sums to the liquidator to apply in payment of claims of the Bank's creditors. As of June 30, 2013, approximately \$145.3 billion in outstanding obligations of the Bank (including approximately \$119.5 billion of deposits) would have been senior to the Subordinated Notes and approximately \$6.3 billion in outstanding obligations of the Bank would have ranked *pari passu* with the Subordinated Notes. The Subordinated Notes will not contain any limitation on the amount of senior debt, deposits or other obligations that rank on parity with or senior to the Subordinated Notes that may be hereinafter incurred by the Bank.

Notwithstanding any other provisions contained in the Subordinated Notes, the OCC or any receiver or conservator of the Bank appointed by the OCC has the right in the performance of its legal duties, and as part of any transaction or plan of reorganization or liquidation designed to protect or further the continued existence of the Bank or the rights of any parties or agencies with an interest in, or claim against, the Bank or its assets, to transfer or direct the transfer of the obligations represented by the Subordinated Notes to any national banking association, state bank or bank holding company selected by such entity which shall expressly assume the obligation of the due and punctual payment of the unpaid principal, premium, if any, and interest on the Subordinated Notes and the due and punctual performance of all covenants and conditions; and the completion of such transfer and assumption shall serve to supersede and void any default, acceleration or subordination which may have occurred, or which may occur due or related to such transaction, plan, transfer or assumption, pursuant to the provisions of the Subordinated Notes, and shall serve to return the holders of Subordinated Notes to the same position, other than for substitution of the obligor, they would have occupied had no default, acceleration or subordination occurred; except that any interest and principal (and premium, if any) previously due, other than by reason of acceleration, and not paid shall, in the absence of a contrary agreement by the holders of the Subordinated Notes, be immediately due and payable as to the date of such transfer and assumption, together with the interest from its original due date at the rate provided for in the Subordinated Notes.

If the Bank does not pay any installment of interest on the Subordinated Notes on an Interest Payment Date (as defined below), or does not pay all or any part of the principal on the applicable Stated Maturity Date, holders of the Subordinated Notes will not be able to accelerate the maturity of the principal of the Subordinated Notes by reason of such nonpayment, and the Bank's obligation to make such payments will be deferred until (i) in the case of a payment of interest, the first date, if any, following the Interest Payment Date on which HSBC USA pays a dividend on any class of its share capital (the date on which such dividend is paid, the "**Deferred Interest Payment Date**") and (ii) in the case of a payment of principal, the first Business Day (as defined below) after the date that falls six months after the applicable Stated Maturity Date (the "**Deferred Stated Maturity**"). Deferred payments will not be treated as due for any purpose until the Deferred Interest Payment Date or Deferred Stated Maturity, as the case may be, when such payment shall be and become due and payable without any further act or deed on the part of any holder; provided, however, that any payment so deferred shall accrue interest during the period of such deferral at the rate per annum set forth in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. The Bank may defer any interest payment due on an Interest Payment Date following the Deferred Interest Payment Date until the next date on which HSBC USA pays a dividend on any class of its share capital. The payment of accrued interest could be deferred indefinitely until a dividend is paid; accrued interest would nonetheless be due and payable upon the occurrence of certain events of the Bank's bankruptcy. The Bank will promptly notify holders of the Subordinated Notes if it decides to defer payment of interest or principal. Because a deferral of payment of interest or principal on the Subordinated Notes would materially impair the Bank's future efforts to raise financing in the capital markets, the Bank believes that the likelihood of deferring a payment of interest or principal is remote.

Under the FDI Act, from the date 60 days after an insured depository institution becomes or is deemed to become "critically undercapitalized," it may not make any payments of principal or interest on its subordinated debt, including the Subordinated Notes. Under certain circumstances, a "well capitalized," "adequately capitalized" or "undercapitalized" institution may be required to comply with restrictions applicable to the next lowest capital category. See "Supervision, Regulation and Other Matters—Prompt Corrective Action."

Impact of Bank Conservatorship or Receivership. The Bank’s payment obligations on the Notes are subject to the conservatorship and receivership powers and activities of the FDIC in the event of a Bank default or failure. See “Supervision, Regulation and Other Matters—Conservatorship and Receivership Powers of the FDIC.”

Form of Notes and Registration

General

The Bank and the initial purchaser(s) will agree on the form and type of Notes to be issued in respect of any Series of Notes. The form and type of Notes to be issued in relation to any Series of Notes will be specified in the applicable Final Terms, applicable Pricing Supplement or Program Supplement, if any.

Registered Notes

The Notes may be offered and sold in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Notes sold pursuant to an offering made in the United States only will be represented by one or more global Notes in fully registered form (each, a “**Registered Global Note**”) deposited with the corporate trust department of the Bank as custodian for, and registered in the name of a nominee of, The Depository Trust Company in New York, New York (“**DTC**”) (each Registered Global Note so deposited and registered being referred to herein as a “**DTC Global Note**”).

Notes sold in the United States to institutional accredited investors pursuant to Regulation D and Part 16.7 of the OCC’s securities offering regulations (12 C.F.R. Part 16.7) will be represented by one or more DTC Global Notes bearing a restriction on transfer (each, a “**Restricted Global Note**”). A beneficial interest in a Restricted Global Note may be transferred by the beneficial holder only to (i) the Bank or one of its subsidiaries; (ii) to a person that it reasonably believes is a qualified institutional buyer (as that term is defined in Rule 144A under the Securities Act) (a “**QIB**”) or for the account of a QIB, in each case, to whom notice is given that the transfer is being made in reliance on Rule 144A; or (iii) in another transaction exempt from registration under the rules and regulations of the Commission, provided that the Bank and any other Paying Agent will have the right to request an opinion of counsel from the transferor prior to effecting any such transfer. See “Transfer Restrictions.”

The Notes may be sold pursuant to an offering made outside the United States only in accordance with Regulation S under the Securities Act, which Notes may initially be issued in the form of one or more temporary registered global notes (“**Temporary Registered Global Notes**”). Beneficial interests in the Temporary Registered Global Notes will be exchanged for one or more permanent Registered Global Notes deposited with HSBC Bank plc as common depository (in such capacity, the “**Depository**”) for, and registered in the name of a nominee on behalf of, Euroclear and Clearstream Luxembourg and any other clearing system approved by the Bank and specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, upon the later of (i) the 40th day after the completion of the distribution of the Notes of such tranche (determined as set forth under “Selling Restrictions”) and (ii) the first date on which the requisite certifications are provided to the London Issuing Agent by or on behalf of the beneficial owner of an interest in such Temporary Registered Global Notes to the effect that such beneficial owner is not a U.S. person. Unless such certificate is provided, (i) payments of any redemption price and any other payments will not be made with respect to such beneficial interests in the Temporary Registered Global Note, and (ii) such beneficial interest may not be exchanged for a beneficial interest in a permanent Registered Global Note.

Subject to the initial issuance of Notes sold outside of the United States in accordance with Regulation S under the Securities Act in the form of one or more Temporary Registered Global Notes and their subsequent exchange for permanent Registered Global Notes, as described above, Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering may be represented solely by one or more DTC Global Notes (a “**Single Global Note Issue**”) or, alternatively, by one or more DTC Global Notes in respect of Notes sold in the United States and by a separate Registered Global Note deposited with the Depository as common depository for, and registered in the name of a nominee on behalf of, Euroclear and Clearstream, Luxembourg, in respect of Notes sold outside the United States (a “**Dual Global Note Issue**”).

Except as described below, owners of beneficial interests in a Registered Global Note (each, a “**Beneficial Owner**”) will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form (each, a “**Definitive Registered Note**”) and will not be considered the owners or holders thereof under the Agency Agreement. Beneficial interests in a Registered Global Note will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners, as a direct or indirect participant in the relevant clearing system.

Investors in a global offering may elect to hold interests in a Registered Global Note through any of DTC or Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organizations that are participants in such

systems. If the Notes sold pursuant to a global offering are part of a Single Global Note Issue, Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of the Depository, which in turn will hold such interests in customers' securities accounts in the Depository's name on the books of DTC.

The Global Agent will serve initially as Registrar for the Registered Notes. In such capacity, the Registrar will cause to be kept at its offices in New York City, a register (the "**Note Register**"), in which, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration of the Registered Notes and of transfers thereof. The Bank reserves the right to transfer such function to another bank or financial institution at any time.

Subject to applicable law and the terms of the Agency Agreement and the Notes, the Bank, the Global Agent and the London Paying Agent will deem and treat the registered holder or holders of the Registered Notes as the absolute owner or owners thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to or to the order of the registered holders will be valid and effectual to discharge the liability of the Bank, the Global Agent and the London Paying Agent on the Notes to the extent of the sum or sums so paid. So long as DTC, its nominee, a nominee on behalf of Euroclear and Clearstream, Luxembourg or a successor of DTC or any such nominee is the registered owner of a Registered Global Note, DTC, such nominee or such successor of DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement. Accordingly, any Beneficial Owner must rely on the procedures of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, if such person is not a participant in any such clearing system, on the procedures of the participant therein through which such person owns its interest, to exercise any rights of a holder of Notes. The Bank understands that, under existing industry practices, in the event that the Bank requests any action of holders or that Beneficial Owners desire to give or take any action which a holder is entitled to give or take under the Agency Agreement, DTC, its nominee or a successor of DTC or its nominee, as the holder of the DTC Global Note, would authorize the participants through which the relevant beneficial interests are held (or persons holding beneficial interests in the Notes through participants) to give or take such action, and such participants would authorize Beneficial Owners owning through such participants (or such persons holding beneficial interests in the Notes through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Beneficial Owners.

DTC may grant proxies or otherwise authorize its participants (or persons holding beneficial interests in the Notes through its participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the Agency Agreement or in respect of the Notes. Euroclear or Clearstream, Luxembourg, as the case may be, will take any action permitted to be taken by a holder under the Agency Agreement or the Notes on behalf of a Euroclear participant or a Clearstream, Luxembourg participant only in accordance with its relevant rules and procedures and, with respect to interests in a DTC Global Note, subject to the Depository's ability to effect such actions on its behalf through DTC. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of a Beneficial Owner to pledge its interest in the Notes to persons or entities that do not participate in the DTC system or otherwise take action in respect of such interest, may be limited by the lack of a definitive certificate for such interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a DTC Global Note.

Principal of, and premium, if any, and interest on, the Registered Notes are payable to the persons in whose names the Notes are registered on the Record Date (as defined herein) preceding any Interest Payment Date or at Maturity, as the case may be. Ownership positions within each clearing system will be determined in accordance with the normal conventions observed by such system. The Global Agent will act as the Bank's issuing and principal paying agent for the Notes pursuant to the Agency Agreement. Principal and interest payments on a Registered Global Note will be made to DTC, its nominee or a nominee on behalf of Euroclear and Clearstream, Luxembourg, as the case may be (or to any successor to DTC or any such nominee), as the registered holder of the Registered Global Note representing such Notes. None of the Bank, the Global Agent or the London Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. See "**—Payment of Principal, Premium and Interest.**"

Upon receipt of any payment of principal of, or premium, if any, or interest on, a DTC Global Note, DTC will credit its participants' accounts with payment in amounts proportionate to their respective beneficial interests in the principal amount of such DTC Global Note as shown on the records of DTC. Payments by such participants to owners of beneficial interests in the DTC Global Note held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions with respect to Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures to the extent received by the Depository.

Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interests in a Registered Global Note will be exchangeable for Definitive Registered Notes only if such exchange is permitted by applicable law and

(i) in the case of a DTC Global Note, DTC notifies the Bank that it is unwilling or unable to continue as depository for the DTC Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by the Bank within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, (ii) in the case of any other Registered Global Note, if the clearing system(s) through which it is cleared and settled is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so, (iii) the Bank, upon the request of a holder, elects to issue Definitive Registered Notes or (iv) after the occurrence of an Event of Default with respect to any Registered Global Note, Beneficial Owners representing a majority in principal amount of such Registered Global Note advise the relevant clearing system through its participants to cease acting as depository for such Registered Global Note. The Definitive Registered Notes so issued in exchange for any such Registered Global Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Definitive Registered Notes shall be registered in the name or names of such person or persons as the relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a Registered Global Note will not be entitled to receive physical delivery of Definitive Registered Notes and will not be considered the registered holders of such Notes for any purpose.

Any Definitive Registered Note issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of such Note, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the Registrar or the specified office of any Transfer Agent. In the case of a transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer will, within three Business Days of receipt of such form of transfer, be delivered to the transferee at the office of the Registrar or such Transfer Agent or mailed at the risk of the holder entitled to the Definitive Registered Note in respect of which the relevant Definitive Registered Note is issued to such address as may be specified in such form of transfer.

Global Clearance and Settlement

Notes issued pursuant to the Program may be held through one or more international and domestic clearing systems, principally, the book-entry systems operated by DTC in the United States, and Euroclear and Clearstream, Luxembourg in Europe. Electronic securities and payment transfer, processing, depository and custodial links have been established among these systems and others, either directly or through custodians and depositories, which enable Notes to be issued, held and transferred among the clearing systems through these links. The Global Agent and/or the London Issuing Agent have direct electronic links with DTC, Euroclear and Clearstream, Luxembourg. Special procedures have been established among these clearing systems and the Global Agent and the London Issuing Agent to facilitate clearance and settlement of certain Notes traded across borders in the secondary market. Cross-market transfers of Registered Global Notes in respect of which payments will be made in U.S. Dollars and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of Notes in other than global form may be cleared and settled in accordance with other procedures established for this purpose among the Global Agent, the London Issuing Agent and the clearing systems concerned. Investors in Notes issued pursuant to Regulation S must initially hold their interests therein through Euroclear or Clearstream, Luxembourg.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the procedures described below in order to facilitate transfers of Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. None of the Bank, the Global Agent or the London Issuing Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of the respective obligations under the rules and procedures governing their operations.

The Clearing Systems

DTC. DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC participants’ accounts, thereby eliminating the need for physical movement of securities certificates. DTC participants who maintain accounts directly with DTC include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Dealers (“**Direct Participants**”). DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to DTC’s system is also available to

others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the Commission. More information about DTC can be found at its internet website at www.dtcc.com.

Clearstream, Luxembourg. Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its participating organizations ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, trust companies, clearing corporations and certain other organizations and may include the Dealers. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the Depository.

Euroclear. Euroclear advises that it was created in 1968 to hold securities for its participants ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is owned by Euroclear Clearance System Public Limited Company (ECSplc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the "**Euroclear Operator**").

Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Dealers. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear, and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the Depository.

Other Clearing Systems. Any other clearing system which the Bank, the Global Agent and the relevant Dealer(s) agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Primary Distribution

Distribution of the Notes will be cleared through one or more of the clearing systems described above or any other clearing system specified in the applicable Final Terms or applicable Pricing Supplement. Payment for Notes will be made on a delivery versus payment or free delivery basis, as more fully described in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Registered Notes. The Bank and the relevant Dealer(s) shall agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for any Series of Notes, as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, relating thereto. Clearance and settlement procedures may vary from one Series of Notes to another according to the Specified Currency of the Notes of such Series. Customary clearance and settlement procedures

are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the Notes of the relevant Series to be accepted for clearance and settlement and the applicable clearance numbers will be specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Clearance and Settlement Procedures—DTC. DTC participants holding Registered Notes through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Registered Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Clearance and Settlement Procedures—Euroclear and Clearstream, Luxembourg. Investors electing to hold their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg participants on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Trading Between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. Dollars, or free of payment if payment is made in a currency other than U.S. Dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants. Secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using procedures applicable to conventional Eurobonds in registered form.

Trading Between DTC Seller and Euroclear or Clearstream, Luxembourg Purchaser

Single Global Note Issues. When Notes represented by a DTC Global Note are to be transferred from the account of a DTC participant (other than the Depository) to the account of a Euroclear participant or Clearstream, Luxembourg participant, the purchaser must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct the Depository to receive the Notes against payment or free of payment, as the case may be. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the account of the relevant Euroclear or Clearstream, Luxembourg participant. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream, Luxembourg participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement.

Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering Notes to the Depository for the benefit of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

Dual Global Note Issues. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant will deliver the Notes free of payment to the appropriate account of the Custodian at DTC by 11:00 a.m. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg participant, as the case may be. Separate payment arrangements are required to be made between the relevant Euroclear or Clearstream, Luxembourg participant and the DTC participant. The Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note and (ii) increase the amount of Notes registered in the name of the nominee on behalf of Euroclear and Clearstream, Luxembourg and represented by the Registered Global Note. The Depository will deliver such Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant participant in such clearing system on the business day following the settlement date.

Trading Between a Euroclear or Clearstream, Luxembourg Seller and a DTC Purchaser

Single Global Note Issues. Due to time zone differences in their favor, Euroclear participants or Clearstream, Luxembourg participants may employ their customary procedures for transactions in which Notes represented by a DTC Global Note are to be transferred by the respective clearing system through the Depository to another DTC participant. The seller must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct the Depository to credit the Notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account would instead be valued as of the actual settlement date.

As is the case with sales of Notes represented by a DTC Global Note by a DTC participant to a Euroclear or Clearstream, Luxembourg participant, participants in Euroclear and Clearstream, Luxembourg will have their accounts credited the day after their settlement date.

Dual Global Note Issues. When Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the relevant Euroclear or Clearstream, Luxembourg participant must provide settlement instructions for delivery of the Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, by 7:45 p.m. (Brussels or Luxembourg time, as the case may be) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn provide appropriate settlement instructions to the Depository for delivery to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will deliver the Notes free of payment to the appropriate DTC account of the DTC participant and will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for Euroclear and Clearstream, Luxembourg and represented by the Registered Global Note and (ii) increase the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note.

Record Date

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the "Record Date" for purposes of interest payments with respect to any Registered Note will be the third calendar day, whether or not a Business Day, immediately preceding the related Interest Payment Date, as described below. Trading within and between all clearing systems will become "ex dividend" as of the close of business on this date.

Interest

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, each Note, other than a Zero Coupon Note, will bear interest from and including its Original Issue Date or from and including the most recent Interest Payment Date to which interest on such Note (or any predecessor Note) has been paid or duly provided for at the fixed interest rate per annum specified in the applicable Final Terms or applicable Pricing Supplement, or at the floating interest rate per annum determined as specified in the applicable Final Terms or applicable Pricing Supplement, until the principal thereof is paid or made available for payment. Interest will be payable in arrears on each Interest Payment Date and at Maturity, as specified below under "— Payment of Principal, Premium and Interest." Interest payments on the Notes will equal the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date, if no interest has been paid with respect to such Notes) to but excluding the related Interest Payment Date or Maturity, as the case may be (each such period an "**Interest Period**").

Fixed Rate Notes

The applicable Final Terms, Pricing Supplement or Program Supplement, if any, will specify a fixed interest rate per annum payable on a Fixed Rate Note. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the interest payment dates (the “**Interest Payment Dates**”) for Fixed Rate Notes (other than Zero Coupon Notes) having a maturity greater than one year will be as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, with the first such Interest Payment Date next succeeding the Original Issue Date. Payments of interest on Fixed Rate Notes having maturities of greater than one year will include interest accrued to but excluding the relevant Interest Payment Date or Maturity. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on such Fixed Rate Notes with maturities of greater than one year will be computed on the basis of a 360-day year of twelve 30-day months.

Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on Fixed Rate Notes with maturities of one year or less will be payable only at Maturity to the person to whom principal shall be payable. Payments of interest on Fixed Rate Notes having maturities of one year or less will include interest accrued to but excluding Maturity. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on Fixed Rate Notes with maturities of one year or less will be computed on the basis of the actual number of days elapsed divided by 360.

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, interest on Fixed Rate Notes denominated other than in U.S. Dollars will be computed on the basis of the “Actual/Actual (ICMA)” Fixed Day Count Convention.

“**Actual/Actual (ICMA)**” Fixed Day Count Convention means:

(a) in the case of Fixed Rate Notes where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, from and including the Interest Commencement Date, which, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, shall be the Original Issue Date) to but excluding the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or

(b) in the case of Fixed Rate Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year.

“**Determination Period**” means, solely with respect to the calculation of the Actual/Actual (ISDA) Fixed Day Count Convention set forth above, the period from and including a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**Determination Date**” means, solely with respect to the calculation of the Actual/Actual (ISDA) Fixed Day Count Convention set forth above, each date specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, or, if none is specified, each Interest Payment Date.

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, if any Interest Payment Date or Maturity of a Fixed Rate Note falls on a day that is not a Business Day, the related payment of principal, premium, if any, and interest will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment were due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity, as the case may be.

Floating Rate Notes

The applicable Final Terms or applicable Pricing Supplement will specify whether the related Floating Rate Notes will bear interest determined by reference to either (i) an ISDA Rate (as defined herein) or (ii) one or more reference rates and/or an interest rate formula.

ISDA Rate

Where “**ISDA Rate**” is specified in the applicable Final Terms or applicable Pricing Supplement in connection with the determination of the rate of interest on the related Floating Rate Note, the rate of interest on such Note for each Interest Period will be the relevant ISDA Rate plus or minus the Margin, if any, specified in the applicable Final Terms or applicable Pricing Supplement. Unless otherwise specified in the applicable Final Terms or applicable Pricing Supplement, if any, “**ISDA Rate**” means, with respect to any Interest Period, the rate equal to the Floating Rate that would be determined by the Global Agent or other person specified in the applicable Final Terms or applicable Pricing Supplement pursuant to an interest rate swap transaction if the Global Agent or that other person were acting as Calculation Agent for that swap transaction in accordance with the terms of an agreement in the form of the Master Agreement published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Agreement**”) and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the applicable Final Terms or applicable Pricing Supplement;

(b) the Designated Maturity is the period specified in the applicable Final Terms or applicable Pricing Supplement;

and

(c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate for a currency or on the Euro-zone interbank offered rate for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms or applicable Pricing Supplement.

As used in this paragraph, “**Floating Rate**,” “**Calculation Agent**,” “**Floating Rate Option**,” “**Designated Maturity**” and “**Reset Date**” have the meanings ascribed to those terms in the ISDA Definitions.

Reference Rate Determination

Where “Reference Rate Determination” is specified in the applicable Final Terms or applicable Pricing Supplement in connection with the determination of the rate of interest on the related Floating Rate Note, the applicable Final Terms or applicable Pricing Supplement will also specify the “Interest Rate Basis” or “Interest Rate Bases” by reference to which interest on such Floating Rate Note will be determined, which may be one or more of (i) the “CMT Rate,” in which case such Note will be a “CMT Rate Note,” (ii) the “Commercial Paper Rate,” in which case such Note will be a “Commercial Paper Rate Note,” (iii) the “Eleventh District Cost of Funds Rate,” in which case such Note will be an “Eleventh District Cost of Funds Rate Note,” (iv) the “Federal Funds Rate,” in which case such Note will be a “Federal Funds Rate Note,” (v) the “CD Rate,” in which case such Note will be a “CD Rate Note,” (vi) “EURIBOR,” in which case such Note will be a “EURIBOR Note,” (vii) “LIBOR,” in which case such Note will be a “LIBOR Note,” (viii) the “Prime Rate,” in which case such Note will be a “Prime Rate Note,” (ix) the “Treasury Rate,” in which case such Note will be a “Treasury Rate Note,” or (x) such other Interest Rate Basis or interest rate formula as may be set forth in the applicable Final Terms or applicable Pricing Supplement. In addition, the applicable Final Terms or applicable Pricing Supplement will specify whether such Floating Rate Note is a “Regular Floating Rate Note,” a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note,” the Initial Interest Rate, the Interest Reset Dates, the Index Maturity, and if one or more of the specified Interest Rate Bases is LIBOR or the CMT Rate, the applicable Note will also specify the Reuters Screen LIBOR Page or Designated CMT Reuters Screen Page, respectively, as such terms are defined herein.

Where “**Reference Rate Determination**” is specified in the applicable Final Terms or applicable Pricing Supplement, the interest rate borne by the Floating Rate Note will be determined as follows:

(i) Unless such Floating Rate Note is designated as a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note,” such Floating Rate Note will be designated a “Regular Floating Rate Note” and, except as described below or in the applicable Final Terms or applicable Pricing Supplement, will bear interest at the rate determined by reference to the Interest Rate Basis or Bases specified in the applicable Final Terms or applicable Pricing Supplement (a) plus or minus the Spread, if any, specified in the applicable Final Terms or applicable Pricing Supplement and/or (b) multiplied by the applicable Spread Multiplier, if any, specified and applied as described in the applicable Final Terms or applicable Pricing Supplement. Commencing on the Initial Interest Reset Date specified in the applicable Final Terms or applicable Pricing Supplement, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date;

provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate specified in the applicable Final Terms or applicable Pricing Supplement.

(ii) If such Floating Rate Note is designated as a “Floating Rate/Fixed Rate Note,” then, except as described below or in the applicable Final Terms or applicable Pricing Supplement, such Floating Rate Note will bear interest at the rate determined by reference to the Interest Rate Basis or Bases specified in the applicable Final Terms or applicable Pricing Supplement (a) plus or minus the Spread, if any, specified in the applicable Final Terms or applicable Pricing Supplement and/or (b) multiplied by the applicable Spread Multiplier, if any, specified and applied as described in the applicable Final Terms or applicable Pricing Supplement. Commencing on the Initial Interest Reset Date specified in the applicable Final Terms or applicable Pricing Supplement, the rate at which interest on such Floating Rate/Fixed Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate specified in the applicable Final Terms or applicable Pricing Supplement, and (b) the interest rate in effect from, and including, the Fixed Rate Commencement Date to Maturity shall be the Fixed Interest Rate, if such rate is specified in the applicable Final Terms or applicable Pricing Supplement, or if no such Fixed Interest Rate is so specified, the interest rate in effect thereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

(iii) If such Floating Rate Note is designated as an “Inverse Floating Rate Note,” then, except as described below or in the applicable Final Terms or applicable Pricing Supplement, such Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the applicable Final Terms or applicable Pricing Supplement minus the rate determined by reference to the Interest Rate Basis or Bases specified in the applicable Final Terms or applicable Pricing Supplement (a) plus or minus the applicable Spread, if any, specified in the applicable Final Terms or applicable Pricing Supplement and/or (b) multiplied by the applicable Spread Multiplier, if any specified and applied as described in the applicable Final Terms or applicable Pricing Supplement; *provided, however*, that, unless otherwise specified in the applicable Final Terms or applicable Pricing Supplement, if any, the interest rate thereon will not be less than zero percent. Commencing on the Initial Interest Reset Date specified in the applicable Final Terms or applicable Pricing Supplement, the rate at which interest on such Inverse Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate specified in the applicable Final Terms or applicable Pricing Supplement.

The “**Spread**” is the number of basis points (each basis point being one hundredth of one percent) to be added to or subtracted from the related Interest Rate Basis or Bases applicable to such Floating Rate Note. The “**Spread Multiplier**” is the percentage by which the applicable Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Floating Rate Note. The “**Index Maturity**” is the period to maturity of the instrument or obligation with respect to which the Interest Rate Basis or Bases will be calculated. The Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes are subject to change by the Bank from time to time, but no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by the Bank.

The applicable Final Terms or applicable Pricing Supplement will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually, annually or any other specified period (each, an “**Interest Reset Period**”) and the dates on which such interest rate will be reset (each, an “**Interest Reset Date**”). Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Interest Reset Date will be, in the case of Floating Rate Notes which reset: (i) daily, each Business Day; (ii) weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week); (iii) monthly, the third Wednesday of each month (with the exception of monthly reset Floating Rate Notes as to which the Eleventh District Cost of Funds Rate is an applicable Interest Rate Basis, which will reset on the first calendar day of the month); (iv) quarterly, the third Wednesday of March, June, September and December of each year; (v) semiannually, the third Wednesday of the two months specified in the applicable Final Terms or applicable Pricing Supplement; and (vi) annually, the third Wednesday of the month specified in the applicable Final Terms or applicable Pricing Supplement; *provided, however*, that, with respect to Floating Rate/Fixed Rate Notes, the fixed rate of interest in effect for the period from the Fixed Rate Commencement Date until Maturity shall be the Fixed Interest Rate or the interest rate in effect on the Business Day immediately preceding the Fixed Rate Commencement Date, as specified in the applicable Final Terms or applicable Pricing Supplement and no Interest Reset Date will occur after the Fixed Rate Commencement Date. If an Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be subject to adjustment in accordance with the business day convention specified in the applicable Final Terms or applicable Pricing Supplement, which may be either the Floating Rate Convention, the Following Business Day Convention, the Modified Following Business Day Convention or the Preceding Business Day Convention as described under “Interest Payment Dates” below.

The interest rate applicable to each day in an Interest Reset Period will be the rate determined by the Calculation Agent as of the Interest Determination Date immediately preceding the Interest Reset Date on which such Interest Reset Period commenced. Unless otherwise specified in the applicable Final Terms, applicable Pricing Supplement, if any, the Interest Determination Date with respect to the Commercial Paper Rate and the CD Rate will be the second Business Day preceding each Interest Reset Date; the Interest Determination Date with respect to CMT Rate Notes will be the second U.S. Government Securities Business Day preceding each Interest Reset Date; the Interest Determination Date with respect to Prime Rate Notes and Federal Funds (Effective) Rate Notes will be the first Business Day preceding each Interest Reset Date; the Interest Determination Date with respect to Federal Funds (Open) Rate Notes and Federal Funds (Target) Rate Notes will be the same day as the Interest Reset Date; the Interest Determination Date with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the “**FHLB of San Francisco**”) publishes the Index (as defined herein); the Interest Determination Date with respect to EURIBOR will be the second TARGET2 Settlement Day (as defined below) preceding each Interest Reset Date; and the Interest Determination Date with respect to LIBOR will be the second London Banking Day (as defined herein) immediately preceding each Interest Reset Date, unless the Designated LIBOR Currency is British pounds sterling or Canadian dollars, in which case the Interest Determination Date will be the applicable Interest Reset Date. With respect to the Treasury Rate, the Interest Determination Date will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined herein) are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless the day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); *provided, however*, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date will be such preceding Friday; and provided, further, that if the Interest Determination Date falls on any Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day. The Interest Determination Date pertaining to a Floating Rate Note the interest rate of which is determined with reference to two or more Interest Rate Bases will be the latest Business Day that is at least two Business Days prior to such Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined on such date, and the applicable interest rate will take effect on the Interest Reset Date.

“**TARGET2 Settlement Day**” means a day on which Target2 is open.

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Interest Payment Dates

Each Floating Rate Note will bear interest on its principal amount (or, if it is a Partly Paid Note, the amount paid up) from and including its Original Issue Date at the rate determined as specified therein until the principal thereof is paid or otherwise made available for payment. Where “**ISDA Rate**” is specified in the applicable Final Terms or applicable Pricing Supplement, interest will be payable on each Interest Payment Date specified in the applicable Final Terms or applicable Pricing Supplement, or, if no express Interest Payment Dates are so specified, on each date which falls at the end of the number of months or other period specified as the Interest Payment Period in the applicable Final Terms or applicable Pricing Supplement after the preceding Interest Payment Date (or after the Original Issue Date, in the case of the first such date). Except as provided below or in the applicable Final Terms or applicable Pricing Supplement, where “Reference Rate Determination” is specified in the applicable Final Terms or applicable Pricing Supplement, interest will be payable on, in the case of such Floating Rate Notes which reset: (i) daily, weekly or monthly, the third Wednesday of each month or on the first day of March, June, September and December of each year, as specified in the applicable Final Terms or applicable Pricing Supplement; (ii) quarterly, the third Wednesday of March, June, September and December of each year; (iii) semiannually, the third Wednesday of the two months of each year specified in the applicable Final Terms or applicable Pricing Supplement; and (iv) annually, the third Wednesday of the month of each year specified in the applicable Final Terms or applicable Pricing Supplement and, in each case, interest will be payable at Maturity. The dates on which interest in respect of a Floating Rate Note will be paid are referred to herein as “Interest Payment Dates.”

If any Interest Payment Date (or other date that the applicable Final Terms or applicable Pricing Supplement indicates is subject to adjustment in accordance with a business day convention) for any Floating Rate Note (other than an Interest Payment Date at Maturity) would otherwise fall on a day that is not a Business Day, then, if the business day convention specified in the applicable Final Terms or applicable Pricing Supplement is:

(1) the “Floating Rate Convention,” such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event (A) such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day and (B) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Payment Period in the applicable Final Terms or applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) occurred; or

(2) the “Following Business Day Convention,” such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day; or

(3) the “Modified Following Business Day Convention,” such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day, or

(4) the “Preceding Business Day Convention,” such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day.

If the Maturity of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest will be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after such Maturity.

Minimum and/or Maximum Interest Rate

A Floating Rate Note may also have either or both of the following: (i) a minimum numerical limitation, or floor, on the rate at which interest may accrue during any Interest Period (a “**Minimum Interest Rate**”); and (ii) a maximum numerical limitation, or ceiling, on the rate at which interest may accrue during any Interest Period (a “**Maximum Interest Rate**”). In addition to any Maximum Interest Rate that may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on any Floating Rate Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. The limit does not apply to Notes in which U.S. \$2,500,000 or more has been invested.

Calculation of Interest Payment

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, with respect to each Floating Rate Note, accrued interest is calculated by multiplying its face amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which interest is being calculated. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the interest factor for each such day will be computed on the basis of a 360-day year of twelve 30-day months if the day count convention specified in the applicable Final Terms or applicable Pricing Supplement is “30/360” for the period specified thereunder, or by dividing the applicable per annum interest rate by 360 if the day count convention specified in the applicable Final Terms or applicable Pricing Supplement is “Actual/360” for the period specified thereunder, or by dividing the applicable per annum interest rate by the actual number of days in the year if the day count convention specified in the applicable Final Terms or applicable Pricing Supplement is “Actual/Actual” for the period specified thereunder. If no day count convention is specified in the applicable Final Terms or applicable Pricing Supplement, the interest factor for each day in the relevant Interest Period will be computed, in the case of Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate and Notes denominated in Sterling, as if “Actual/Actual” has been specified therein and, in all other cases, as if “Actual/360” had been specified therein. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the interest factor for Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only the applicable Interest Rate Basis specified in the applicable Final Terms or applicable Pricing Supplement applied.

All percentages resulting from any calculation on Floating Rate Notes will be rounded to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point rounded upwards (e.g., 3.876545 percent (or .03876545) would be rounded to 3.87655 percent (or .0387655)), and all calculations of the accrued interest factor for any day on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred-millionth, with five one-billionths rounded upward, for example, 9.8765455 percent (or .098765455) being rounded to 9.8765456 percent (or .098765456). All dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent or, in the case of a Specified Currency other than U.S. Dollars, to the nearest unit (with one-half cent or unit being rounded upwards).

Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Paying Agent for a Series of Notes (or in certain circumstances, HSBC France) will be the “Calculation Agent” with respect to that Series. Where “Reference Rate Determination” is specified in the applicable Final Terms or applicable Pricing Supplement, the “Calculation Date,” if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity, as the case may be. The determination of any interest rate by the Calculation Agent will be final and binding absent manifest error.

Upon request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next Interest Period with respect to such Floating Rate Note. The Calculation Agent will notify the Bank (and any securities exchange, listing authority or quotation system on which the relevant Floating Rate Notes are for the time being listed, quoted or traded) of the interest rate, interest amount and the relevant Interest Payment Date, and, if and so long as the rules of any such securities exchange, listing authority or quotation system requires, will cause the same to be published as provided herein, as soon as possible after their determination but in no event later than the fourth London Banking Day thereafter.

CD Rate Notes

CD Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the CD Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “CD Rate” means, for any Interest Determination Date, the rate on that date for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement or Final Terms as published by the Board of Governors of the Federal Reserve System in “Statistical Release H.15(519), Selected Interest Rates”, or any successor publication of the Board of Governors of the Federal Reserve System (“H.15(519)”) under the heading “CDs (secondary market)”. The following procedures will be followed if the CD rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 p.m., New York City time, on the Calculation Date, the CD rate will be the rate on that Interest Determination Date set forth in the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication, which is commonly referred to as the “H.15 Daily Update”, for the Interest Determination Date for certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement or Final Terms, under the caption “CDs (secondary market).”
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the CD rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that Interest Determination Date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York, which may include the Dealers or their affiliates, selected by the Calculation Agent, after consultation with us, for negotiable U.S. dollar certificates of deposit of major U.S. money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement or Final Term and in a Representative Amount.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the CD rate for that Interest Determination Date will remain the CD rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

“**Representative Amount**” means an amount that is representative for a single transaction in the relevant market at the relevant time.

CMT Rate Notes

CMT Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. That interest rate will be based on the CMT Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, if “Reuters Screen FRBCMT page” is the Designated CMT Reuters Screen Page in the applicable Pricing Supplement or Final Terms, the CMT Rate on the Interest Determination Date shall be a percentage equal to the yield for U.S. Treasury securities at “constant maturity” having the Designated CMT Index Maturity specified in the applicable Pricing Supplement or Final Terms as set forth in H.15(519) under the caption “Treasury constant maturities,” as such yield is displayed on the Reuters (or any successor service) Screen FRBCMT page for such Interest Determination Date.

- If such rate does not appear on Reuters Screen FRBCMT page, the CMT Rate on such Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at “constant maturity” having such Designated CMT Index Maturity and for such Interest Determination Date as set forth in H.15(519) under the caption “Treasury constant maturities.”

- If such rate does not appear in H.15(519), the CMT Rate on such Interest Determination Date shall be the rate for the period of such Designated CMT Index Maturity as may then be published by either the Federal Reserve Board or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519).
- If the Federal Reserve Board or the United States Department of the Treasury does not publish a yield on United States Treasury securities at “constant maturity” having such Designated CMT Index Maturity for such Interest Determination Date, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such Interest Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the Dealers or their affiliates) (each, a “**Reference Dealer**”) selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity equal to such Designated CMT Index Maturity, a remaining term to maturity no more than one year shorter than such Designated CMT Index Maturity and in a Representative Amount.
- If fewer than five but more than two such prices are provided as so requested, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as so requested, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity greater than such Designated CMT Index Maturity, a remaining term to maturity closest to such Designated CMT Index Maturity and in a Representative Amount.
- If fewer than five but more than two such prices are provided as so requested, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations shall be eliminated; *provided, however*, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such Interest Determination Date shall be the CMT Rate in effect on such Interest Determination Date. If two such U.S. Treasury securities with an original maturity greater than such Designated CMT Index Maturity have remaining terms to maturity equally close to such Designated CMT Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, if “Reuters Screen FEDCMT page” is the specified Designated CMT Reuters Screen Page in the applicable Pricing Supplement or Final Terms, the CMT Rate on the Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified in the applicable Pricing Supplement or Final Terms, average yield for U.S. Treasury securities at “constant maturity” having the Designated CMT Index Maturity specified in the applicable Pricing Supplement or Final Terms as set forth in H.15(519) opposite the caption “Treasury constant maturities,” as such yield is displayed on the Reuters Screen FEDCMT page for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the Interest Reset Date falls.

- If such rate does not appear on the Reuters Screen FEDCMT page, the CMT Rate on such Interest Determination Date shall be a percentage equal to the one-week or one-month, as applicable, average yield for U.S. Treasury securities at “constant maturity” having such Designated CMT Index Maturity for the week or month, as applicable, preceding such Interest Reset Date as set forth in H.15(519) opposite the caption “Treasury constant maturities.”
- If such rate does not so appear in H.15(519), the CMT Rate on such Interest Determination Date shall be the one-week or one-month, as applicable, average yield for U.S. Treasury securities at “constant maturity” having such Designated CMT Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such Interest Reset Date falls.
- If the Federal Reserve Bank of New York does not publish a one-week or one-month, as applicable, average yield on U.S. Treasury securities at “constant maturity” having such Designated CMT Index Maturity for the applicable preceding week or month, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an

original maturity equal to such Designated CMT Index Maturity, a remaining term to maturity of no more than 1 year shorter than such Designated CMT Index Maturity and in a Representative Amount.

- If fewer than five but more than two such prices are provided as so requested, the CMT Rate on such Interest Determination Date shall be the rate on the Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as so requested, the CMT Rate on such Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity longer than such Designated CMT Index Maturity, a remaining term to maturity closest to such Designated CMT Index Maturity and in a Representative Amount.
- If fewer than five but more than two such prices are provided as requested, the CMT Rate on such Interest Determination Date shall be the rate on the Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated; *provided, however*, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such Interest Determination Date shall be the CMT Rate in effect on such Interest Determination Date. If two United States Treasury securities with an original maturity greater than such Designated CMT Index Maturity have remaining terms to maturity equally close to such Designated CMT Index Maturity, then the quotes for the Treasury security with the shorter original term to maturity will be used.

“**Designated CMT Reuters Screen Page**” means the Reuters Screen page designated in the applicable Pricing Supplement or Final Terms that displays Treasury constant maturities as reported in H.15(519). If no Reuters Screen page is specified in the applicable Pricing Supplement or Final Terms, then the Designated CMT Reuters Screen Page will be FEDCMT, for the most recent week or month, as applicable.

“**Designated CMT Index Maturity**” means the original period to maturity of the U.S. Treasury securities, which is either 1, 2, 3, 5, 7, 10, 20 or 30 years, specified in the applicable Pricing Supplement or Final Terms for which the CMT Rate will be calculated. If no maturity is specified in the applicable Pricing Supplement or Final Terms, then the Designated CMT Index Maturity will be two years.

“**H.15(519)**” means the weekly statistical release designated as such, or any successor publication, available through the web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15/current/> or any successor site or publication.

“**Reuters Screen**” means the display on the Reuters 3000 Xtra service, or any successor or replacement service, on the page or pages specified in the applicable Pricing Supplement or Final Terms, or any successor or replacement page or pages on that service.

Commercial Paper Rate Notes

Commercial Paper Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Commercial Paper Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “commercial paper rate” means, for any Interest Determination Date, the money market yield, calculated as described below, of the rate on that date for commercial paper having the Index Maturity specified in the applicable Pricing Supplement or Final Terms, as that rate is published in H.15(519), under the heading “Commercial Paper—Nonfinancial”. The following procedures will be followed if the Commercial Paper Rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the Calculation Date, then the Commercial Paper Rate will be the money market yield of the rate on that Interest Determination Date for commercial paper of the Index Maturity specified in the applicable pricing supplement as published in the H.15 Daily Update or another recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Commercial Paper-Nonfinancial.”
- If by 3:00 p.m., New York City time, on that Calculation Date the rate is not yet published in either H.15(519), H.15 Daily Update or other recognized electronic source used for the purpose of displaying the applicable rate, then the Calculation Agent will determine the Commercial Paper Rate to be the money market yield of the arithmetic mean of the offered rates as

of 11:00 a.m., New York City time, on the Interest Reset Date of three leading dealers of U.S. dollar commercial paper in The City of New York, which may include the agents and their affiliates, selected by the Calculation Agent, after consultation with us, for commercial paper of the Index Maturity specified in the applicable Pricing Supplement or Final Terms, placed for an industrial issuer whose bond rating is “Aa” or the equivalent by a nationally recognized rating agency.

- If fewer than three dealers selected by the Calculation Agent are quoting offered rates as set forth above, the Commercial Paper Rate for that Interest Determination Date will remain the Commercial Paper Rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

The “money market yield” will be a yield calculated in accordance with the following formula:

$$\text{money market yield} = \frac{(D \times 360)}{360 (D \times M)} \times 100$$

where, “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the Interest Period for which interest is being calculated.

“**H.15 Daily Update**” means the daily update of H.15(519), available through the website of the Board of Governors of the Federal Reserve System, at <http://www.federalreserve.gov/releases/h15/update/>, or any successor site or publication.

Eleventh District Cost of Funds Notes

Eleventh District Cost of Funds Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Eleventh District Cost of Funds Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “Eleventh District Cost of Funds Rate” means, for any Interest Determination Date, the rate on the applicable Interest Determination Date equal to the monthly weighted average cost of funds for the calendar month preceding the Interest Determination Date as displayed under the caption “11th DIST COFI” on the Reuters Screen COFI/ARMS page. The following procedures will be followed if the Eleventh District Cost of Funds Rate cannot be determined as described above:

- If the above rate is not displayed by 3:00 p.m., New York City time, on the calculation date for the applicable Interest Determination Date, the Eleventh District Cost of Funds Rate will be the Eleventh District Cost of Funds Rate index (as defined below) on the applicable Interest Determination Date.
- If the Federal Home Loan Bank of San Francisco fails to announce the rate for the calendar month next preceding the applicable Interest Determination Date, then the Eleventh District Cost of Funds Rate for the new Interest Reset Period will be the same as for the immediately preceding Interest Reset Period. If there was no such preceding Interest Reset Period, the Eleventh District Cost of Funds Rate index will be the Initial Interest Rate.

The “Eleventh District Cost of Funds Rate index” means the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that the Federal Home Loan Bank of San Francisco most recently announced as the cost of funds for the calendar month immediately preceding the date of the announcement.

EURIBOR Notes

EURIBOR Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the EURIBOR and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, “EURIBOR” means, for any Interest Determination Date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI—The Financial Market Association, or any company established by the joint sponsors for purposes of establishing, compiling and publishing those rates, for the Index Maturity specified in the applicable Pricing Supplement or Final Terms as that rate appears on the Reuters Screen EURIBOR01 page, as of 11:00 a.m., Brussels time. The following procedures will be followed if the rate cannot be determined as described above:

- If the above rate does not appear on Reuters Screen EURIBOR01 page as of 11:00 a.m., Brussels time, the Calculation Agent will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market, as selected by the Calculation Agent, after consultation with us, to provide the Calculation Agent with its offered rate for deposits in euros, at approximately 11:00 a.m., Brussels time, on the Interest Determination Date, to prime banks in the Euro-zone interbank market for the Index Maturity specified in the applicable Pricing Supplement or Final Terms commencing on the applicable Interest Reset Date, and in a principal amount not less than the equivalent of US\$1 million in euro that is representative of a single transaction in euro, in that market at that time. If two or more quotations are provided, EURIBOR will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided as described above, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone interbank market, as selected by the Calculation Agent, after consultation with us, at approximately 11:00 a.m., Brussels time, on the applicable Interest Reset Date for loans in euro to leading European banks for a period of time equivalent to the Index Maturity specified in the applicable Pricing Supplement or Final Terms commencing on that Interest Reset Date in a principal amount not less than the equivalent of US\$1 million in euro that is representative of a single transaction in euro, in that market at that time.
- If fewer than three banks so selected by the Calculation Agent are quoting as set forth above, EURIBOR for that Interest Determination Date will remain EURIBOR for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

“Euro-zone” means the region comprising member states of the European Union that have adopted the single currency in accordance with the relevant treaty of the European Union, as amended.

Federal Funds (Effective) Rate Notes

Federal Funds (Effective) Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Federal Funds (Effective) Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “Federal Funds (Effective) Rate” means, for any Interest Determination Date, the rate on that date for federal funds as published in H.15(519) under the heading “Federal funds (effective)” as displayed on the Reuters Screen FEDFUNDS1 page under the caption “EFFECT”. The following procedures will be followed if the Federal Funds (Effective) Rate cannot be determined as described above:

- If the above rate does not so appear on Reuters Screen FEDFUNDS 1 page or is not yet published by 3:00 p.m., New York City time, on the Calculation Date, the Federal Funds (Effective) Rate will be the rate on that Interest Determination Date as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Federal funds (effective)”
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Federal Funds (Effective) Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds by each of three leading brokers of U.S. dollar federal funds transactions in the City of New York, which may include the Dealers and their affiliates, selected by the Calculation Agent, after consultation with us, prior to 9:00 a.m., New York City time, on that Interest Determination Date.
- If fewer than three such brokers selected by the Calculation Agent are quoting as set forth above, the Federal Funds Rate for that Interest Determination Date will remain the Federal Funds (Effective) Rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

Federal Funds (Open) Rate Notes

Federal Funds (Open) Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Federal Funds (Open) Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “Federal Funds (Open) Rate” means, for any Interest Determination Date, the rate on that date for federal funds opposite the caption “OPEN,” as displayed on Reuters Screen page 5. The following procedures will be followed if the Federal Funds (Open) Rate cannot be determined as described above:

- If the above rate does not appear on Reuters Screen page 5 or is not yet published by 3:00 p.m., New York City time, on the Calculation Date, the Federal Funds (Open) Rate will be the rate on that Interest Determination Date as published on Bloomberg, L.P. (“Bloomberg”) on the FFPREBON Index page, which is the Fed Funds Opening Rate as reported by Prebon Yamane (or a successor) on Bloomberg.
- If the above rate is not yet published on either Reuters Screen page 5 or FFPREBON Index on Bloomberg, or other recognized electronic source used for the purpose of displaying the applicable rate, by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Federal Funds (Open) Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds by each of three leading brokers of U.S. dollar federal funds transactions in The City of New York, which may include the Dealers and their affiliates, selected by the Calculation Agent, after consultation with us, prior to 9:00 a.m., New York City time, on that Interest Determination Date.
- If fewer than three brokers selected by the Calculation Agent are quoting as set forth above, the Federal Funds Rate for that Interest Determination Date will remain the Federal Funds (Open) Rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

Federal Funds (Target) Rate Notes

Federal Funds Target Rate Notes will bear interest at the rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Federal Funds (Target) Rate an any Spread and/or Spread Multiplier, and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “Federal Funds (Target) Rate” means, for any Interest Determination Date, the rate on such date as displayed on the FDTR Index page on Bloomberg L.P. (“Bloomberg”).

- If such rate does not appear on the FDTR Index page on Bloomberg by 3:00 p.m., New York City time, on the Calculation Date, the Federal Funds Rate for such Interest Determination Date will be the rate for that day appearing on Reuters Screen page USFFTARGET=.
- If such rate does not appear on the FDTR Index page on Bloomberg or is not displayed on Reuters Screen page USFFTARGET= by 3:00 p.m., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Interest Determination Date shall be calculated by the calculation agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 a.m., New York City time, on such Interest Determination Date.

LIBOR Notes

LIBOR Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. That interest rate will be based on London Interbank Offered Rate, which is commonly referred to as “LIBOR,” and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

“LIBOR” means, for any Interest Determination Date, the offered rate that appears on the Reuters Screen LIBOR page at approximately 11:00 a.m., London time, on that Interest Determination Date, for deposits having the Index Maturity and Index Currency specified in the applicable Pricing Supplement or Final Terms, commencing on the relevant Interest Reset Date.

- If the rate described above does not so appear on the Reuters Screen LIBOR page, then the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent after consultation with us, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity specified in the applicable Pricing Supplement or Final Terms to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date, commencing on the Interest Reset Date, and in a Representative Amount. If at least two quotations are provided, LIBOR determined on that Interest Determination Date will be the arithmetic mean of those quotations.
- If fewer than two quotations are so provided, LIBOR will be determined for the applicable Interest Reset Date as the arithmetic mean of the rates quoted at approximately 11:00 a.m., or some other time specified in the applicable Pricing Supplement or Final Terms, in the applicable principal financial center for the country of the Index Currency on that Interest Reset Date, by three major banks in that principal financial center selected by the Calculation Agent, after consultation with us, for loans in the Index Currency to leading European banks, having the Index Maturity specified in the applicable Pricing Supplement or Final Terms and in a Representative Amount.

- If the banks so selected by the Calculation Agent are not quoting as set forth above, LIBOR for that Interest Determination Date will remain LIBOR for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

“Principal financial center” means (i) the capital city of the country issuing the Specified Currency or (ii) the capital city of the country to which the Index Currency, if applicable, relates, except, in each case, that with respect to United States dollars, Australian dollars, Canadian dollars, euro, New Zealand dollars, South African rand and Swiss francs, the “principal financial center” shall be New York City, Sydney, Toronto, London (solely in the case of the Index Currency), Wellington, Johannesburg and Zurich, respectively.

“Reuters Screen LIBOR page” means the display on the Reuters Screen LIBOR01 page or Reuters Screen LIBOR02 page, as applicable, as specified in the applicable Pricing Supplement or Final Terms, or any replacement page or pages, for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

Prime Rate Notes

Prime Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the prime rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “prime rate” means, for any Interest Determination Date, the rate on that date as published in H.15(519) opposite the caption “Bank prime loan”. The following procedures will be followed if the prime rate cannot be determined as described above:

- If the above rate is not so published by 3:00 p.m., New York City time, on the Calculation Date, then the prime rate will be the rate on that Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, opposite the caption “Bank prime loan.”
- If the rate is not so published in either H.15(519), H.15 Daily Update or such other electronic source by 3:00 p.m., New York City time, on the Calculation Date, then the Calculation Agent will determine the prime rate to be the arithmetic mean of the rates of interest publicly announced by each of the various banks that appear on the Reuters Screen USPRIME1 page, as defined below, as each such bank’s prime rate or base lending rate as in effect for that Interest Determination Date.
- If fewer than four rates appear on the Reuters Screen USPRIME1 page by 3:00 p.m., New York City time, for that Interest Determination Date, the Calculation Agent will determine the prime rate to be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on that Interest Determination Date by at least three major banks in The City of New York, which may include affiliates of the Dealers, selected by the Calculation Agent, after consultation with us.
- If fewer than three banks selected by the Calculation Agent are quoting as set forth above, the prime rate for that Interest Determination Date will remain the prime rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

“Reuters Screen USPRIME1 page” means the display on the Reuters Screen page designated “USPRIME1”, for the purpose of displaying prime rates or base lending rates of major U.S. banks.

Treasury Rate Notes

Treasury Rate Notes will bear interest at the interest rates specified in the applicable Pricing Supplement or Final Terms. Those interest rates will be based on the Treasury Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise set forth in the applicable Pricing Supplement or Final Terms, the “Treasury Rate” means:

- the rate from the auction held on the applicable Interest Determination Date, which are referred to as the “auction”, of direct obligations of the United States, which are commonly referred to as “Treasury Bills”, having the Index Maturity specified in the applicable Pricing Supplement or Final Terms as that rate appears under the caption “INVEST RATE” on the Reuters USAUCTION10 page or USAUCTION11 page; or

- if the rate described in the prior paragraph does not appear on either page by 3:00 p.m., New York City time, on the related Calculation Date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the U.S. Department of the Treasury; or
- if the rate referred to in the prior paragraph is not announced by the U.S. Department of the Treasury, or if the auction is not held, the bond equivalent yield of the rate on the applicable Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Pricing Supplement or Final Terms published in H.15(519) under the caption “U.S. government securities/Treasury bills/ secondary market”; or
- if the rate referred to in the prior paragraph is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable Interest Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. government securities/Treasury bills/secondary market”; or
- if the rate referred to in the prior paragraph is not so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time on the applicable Interest Determination Date, of three primary U.S. government securities dealers, which may include the Dealers and their affiliates, selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement or Final Terms; or
- if the dealers selected by the Calculation Agent are not quoting as set forth above, the Treasury Rate for that Interest Determination Date will remain the Treasury Rate for the immediately preceding Interest Reset Period, or, if there was no preceding Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

The “bond equivalent yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{bond equivalent yield} = \frac{(D \times N)}{360 - (D \times M)} \times 100$$

where, “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as applicable, and “M” refers to the actual number of days in the interest payment period for which interest is being calculated.

If, when the terms “Designated CMT Reuters Screen Page,” “H.15(519),” “H.15 Daily Update,” “Reuters Screen LIBOR page,” Reuters Screen USPRIME1 page,” Reuters Screen USAUCTION10 page,” “Reuters Screen USAUCTION11 page,” “Reuters Screen ISDAFIX1 page,” “Reuters Screen COFI/ARMS page,” “Reuters Screen page 5” or “Reuters Screen” are used, they refer to a particular heading or headings on any of these pages, those references include any successor or replacement heading or headings as determined by the Calculation Agent.

Original Issue Discount Notes (Including Zero Coupon Notes)

Notes may be issued at a price less than their “stated redemption price at maturity,” resulting in such Notes being treated as if they were issued with original issue discount for United States federal income tax purposes (“**Original Issue Discount Notes**”). Such Original Issue Discount Notes may currently pay no interest or interest at a rate which at the time of issuance is below market rates. See “Certain United States Federal Income Tax Considerations.” In the event of redemption, repayment or acceleration of maturity, the amount payable to the holder of an Original Issue Discount Note will, unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, be equal to (i) the Amortized Face Amount thereof determined as of the date of such redemption, repayment or acceleration, plus (ii) with respect to any redemption of an Original Issue Discount Note (other than for tax reasons), the Initial Redemption Percentage specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (as adjusted by the Annual Redemption Percentage Reduction, if applicable), minus 100% multiplied by the Issue Price of such Note specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (the “**Issue Price**”), net of any portion of such Issue Price which has been paid prior to the date of redemption, or the portion of the Issue Price (or the net amount) proportionate to the portion of the unpaid principal amount to be redeemed, plus (iii) any accrued interest to the date of such event the payment of which would constitute qualified stated interest payments within the meaning of United States Treasury Regulation Section 1.1273-1(c). The “Amortized Face Amount” of an Original Issue Discount Note means an amount equal to the sum of (i) the Issue Price thereof plus (ii) the aggregate of the portions of the original issue discount (the excess of the amounts considered as part of the “stated redemption price at maturity” of such Note within the meaning of Section 1273(a)(2) of the Code, whether denominated as principal or interest, over the Issue Price) which shall theretofore have accrued pursuant to Section 1272 of the Code (without regard to Section 1272(a)(7) of the Code) from the Original Issue Date of such Note to the date of determination,

minus (iii) any amount considered as part of the “stated redemption price at maturity” of such Note which has been paid from the Original Issue Date to the date of determination. Certain additional considerations relating to any Original Issue Discount Notes may be described in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, relating thereto.

Dual Currency Notes

The Bank may from time to time offer Notes (“**Dual Currency Notes**”) with respect to which the Bank will have the option of making each scheduled payment of principal and interest due on such Notes in either the currency (the “**Face Amount Currency**”) in which the face amount thereof (the “**Face Amount**”) is specified in the applicable Final Terms or applicable Pricing Supplement or another currency specified therein (the “**Optional Payment Currency**”). If the Bank elects to make a payment in the Optional Payment Currency, the amount payable in such Optional Payment Currency shall be determined using the exchange rate specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (the “**Designated Exchange Rate**”). If the Bank chooses to make any payment in the Optional Payment Currency instead of the Face Amount Currency, payments of interest and principal may be worth less, at the then current exchange rate, than if the Bank had made such payment in the Face Amount Currency. Accordingly, a holder of Dual Currency Notes may receive a principal payment at maturity, which, at the then current exchange rate, is less than such holder’s investment denominated in the Face Amount Currency. See “*Risk Factors—Notes Denominated in, or related to the value of, currency other than the currency of the country in which the purchaser is resident or conducts business carry risks associated with exchange rate, and exchange controls.*” Information as to the relative historical value of the applicable Face Amount Currency against the applicable Optional Payment Currency, any exchange controls applicable to such Face Amount Currency or Optional Payment Currency, and the tax consequences to owners of Dual Currency Notes, or beneficial interests therein, will be set forth in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Scheduled Payments of Principal and Interest. Interest on a Dual Currency Note will be payable based on the Face Amount of such Dual Currency Note at the rate stated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, on each Interest Payment Date until the principal thereof is paid or made available for payment. The principal amount of each Dual Currency Note will be payable at maturity.

The applicable Final Terms, Pricing Supplement or Program Supplement, if any, for each issuance of Dual Currency Notes will specify, among other things, the Face Amount of the Dual Currency Notes of such issuance, the Face Amount Currency and Optional Payment Currency of such issuance and the Designated Exchange Rate for such issuance, which will be a fixed exchange rate used for converting amounts denominated in the Face Amount Currency into amounts denominated in the Optional Payment Currency. The applicable Final Terms, Pricing Supplement or Program Supplement, if any, will also specify the Option Election Dates (as defined herein) and Interest Payment Dates for the related issue of Dual Currency Notes. Each “Option Election Date” will be approximately 10 days before an Interest Payment Date or the Stated Maturity Date, as the case may be, and will be the date on which the Bank must elect to make payments due on the related Interest Payment Date or the Stated Maturity Date in the Face Amount Currency or the Optional Payment Currency. If such election is made, notice of such election shall be provided within four Business Days of the Option Election Date and shall state (i) the Interest Payment Date or the Stated Maturity Date and (ii) the Designated Exchange Rate. Any such notice by the Bank, once given, may not be withdrawn. If the Bank elects on any Option Election Date to pay the amounts due on the succeeding Interest Payment Date in the Option Payment Currency, then it shall pay all amounts due with respect to the affected issue of Dual Currency Notes in the Optional Payment Currency on such Interest Payment Date or Stated Maturity Date. If the Bank does not elect on an Option Election Date to pay the amount due on the related Interest Payment Date or Stated Maturity Date in the Optional Payment Currency, then such payment shall be made in the Face Amount Currency and no notice of the manner of such payment will be given.

Payment Due Upon Redemption or Acceleration. If any Dual Currency Note is redeemed prior to its Stated Maturity Date, or if the payment of principal of and interest on any Dual Currency Note is accelerated in accordance with the provisions described below under the caption “Events of Default,” then the Bank shall pay to the holder of such Dual Currency Note on the redemption date or the date of acceleration an amount equal to (i) the Face Amount thereof in the Face Amount Currency plus accrued interest in such currency to but excluding the redemption date or date of acceleration, as the case may be, minus (ii) the Total Option Value (as defined herein) multiplied by a fraction, the numerator of which is the Face Amount of such Dual Currency Note and the denominator of which is the aggregate Face Amount of all Dual Currency Notes of the same Tranche as such Dual Currency Note.

The “Total Option Value” of any Dual Currency Note is an amount (calculated as of the date (the “**Option Value Calculation Date**”) on which the Bank notifies the Global Agent and/or the London Paying Agent that such Dual Currency Note will be redeemed, or the date of acceleration, as the case may be, by the option value calculation agent designated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (the “Option Value Calculation Agent”)) equal to the sum of the Option Values (calculated as of such date by the Option Value Calculation Agent) for all Interest Payment Dates occurring after the Option Value Calculation Date up to and including the Stated Maturity Date. The “Option Value” for an Interest Payment Date is the amount calculated by the Option Value Calculation Agent to be the arithmetic mean of the prices quoted on the Option Value Calculation Date by three reference banks (which banks shall be selected by the Option Value Calculation Agent and shall be reasonably acceptable to

the Bank) for the right on the Option Election Date immediately preceding such Interest Payment Date to purchase for value on such Interest Payment Date from such reference banks (A) the aggregate amount of the Face Amount Currency due on such Interest Payment Date with respect to all of the Dual Currency Notes of the same Tranche as such Dual Currency Note in exchange for (B) the amount of the Optional Payment Currency that would be received if the amount in clause (A) were converted into the Optional Payment Currency at the Designated Exchange Rate.

Prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Dual Currency Notes. Dual Currency Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

Indexed Notes

“Indexed Notes” are Notes the payments in respect of which (whether with respect to principal, premium, if any, or interest and whether at Maturity or otherwise) will be calculated by reference to such index and/or formula on which the Bank and the initial purchaser(s) may agree, as indicated in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, which may include the price change or performance (on specific dates or periods) of an index based on the performance of financial assets, including but not limited to securities, baskets of securities, interest rates, indexes, options, futures, swaps, currencies, commodities, weather derivatives, credit derivatives, or any combination of the above, or any other financial asset not specified herein that the Bank and the initial purchaser(s) may select as a reference in order to determine the amount of principal, if any, interest, if any, or return, if any, payable on the Notes, from time to time.

Commodity-Linked Notes

“Commodity-Linked Notes” are Notes pursuant to which the amount of principal, premium, if any, and/or interest payable is to be determined with reference to prices of various commodities and related assets, as set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any. As set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, the Bank may satisfy its obligations with respect to a Commodity-Linked Note either through payment of a cash settlement amount or through delivery of a specified commodity or commodities. When Commodity-Linked Notes provide for physical settlement, the applicable Final Terms, Pricing Supplement and Program Supplement, if any, will describe the conditions, terms and characteristics of the commodity or commodities to be delivered. Information as to the method for determining the amount of principal, premium, if any, and/or interest payable in respect of Commodity-Linked Notes, certain historical information with respect to the specified commodity or commodities and any special tax considerations associated with investments in such Commodity-Linked Notes will be set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any.

Credit-Linked Notes

“Credit-Linked Notes” are, without limitation, Notes pursuant to which the amount of principal and/or interest payable to holders depends in whole or in part on whether one or more specified credit-related events (each, a “**Credit Event**”) occur during a specified period of time with respect to either a single reference entity or a number of reference entities (each a “**Reference Entity**”) or one or more obligations of such Reference Entity(ies) (each a “**Reference Obligation**”), in each case as set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, or other supplement to the Offering Circular, together with such other terms and conditions as may be specified therein. Credit-Linked Notes may be cash settled, in which case, as a result of the occurrence of a Credit Event, a holder may receive a cash amount determined by reference to the price of one or more obligations of the relevant Reference Entity(ies), with certain specified characteristics, determined by or on behalf of the Bank following such Credit Event. Alternatively, Credit-Linked Notes may be physically settled, in which case, as a result of the occurrence of a Credit Event, a holder may (save in certain situations such as impossibility and illegality) receive one or more Reference Obligations of the relevant Reference Entity(ies).

Credit-Linked Notes may or may not be interest bearing. In the case of interest bearing Credit-Linked Notes, interest may be calculated on a fixed rate or floating rate basis or in any other manner specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Credit-Linked Notes may be issued at par, at a discount to par or at a premium over par.

Notwithstanding any of the foregoing, Credit-Linked Notes may also comprise Notes having such other credit-related terms, features or characteristics as may be agreed by the Bank and the initial purchaser(s) and set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, or other supplement to the Offering Circular, and which are classified therein as “Credit-Linked Notes.”

Each Final Terms, Pricing Supplement and Program Supplement, if any, with respect to Credit-Linked Notes will relate only to the Credit-Linked Notes offered thereby and will not contain any information with regard to any Reference Entity or Reference Obligation.

Equity-Linked Notes

“Equity-Linked Notes” are Notes pursuant to which the amount of principal, premium, if any, and/or interest payable is to be determined with reference to prices or levels of various equity instruments, assets and indicators, including single common stocks, baskets of common stocks, indexes, hedge funds, funds of funds and other equity-related financial assets or indices, as set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any. As set forth in the applicable Final Terms, Pricing Supplement and Program Supplement, if any, the Bank may satisfy its obligations with respect to an Equity-Linked Note either through payment of a cash settlement amount or through delivery of equity instruments. When Equity-Linked Notes provide for physical settlement, the applicable Final Terms, Pricing Supplement and Program Supplement, if any, will describe the conditions, terms and characteristics of the equity instruments to be delivered. Information as to the method for determining the amount of principal, premium, if any, and/or interest payable in respect of Equity-Linked Notes, certain historical information with respect to the specified equity instruments and any special tax considerations associated with investment in such Equity-Linked Notes will be set forth in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Each applicable Final Terms, Pricing Supplement or Program Supplement, if any, with respect to Equity-Linked Notes will relate only to the Equity-Linked Notes offered thereby and will not relate to the issuer (the “**Equity Issuer**”) of the equity instruments that may be delivered at Maturity. Any disclosure contained in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, regarding the Equity Issuer will be derived solely from publicly available documents; alternatively, the applicable Final Terms, Pricing Supplement and Program Supplement, if any, may identify an independent source from which prospective investors may obtain information concerning the Equity Issuer. Unless the applicable Final Terms, Pricing Supplement and Program Supplement, if any, with respect to Equity-Linked Notes specifies otherwise, neither the Bank nor any affiliate of the Bank will have participated in the preparation of the publicly available documents relating to an Equity Issuer or made any due diligence inquiry with respect to the information provided therein. The Bank will not make any representation that such documents or any information regarding the Equity Issuer is accurate or complete or that all events occurring with respect to an Equity Issuer prior to the date of the related Final Terms, Pricing Supplement and Program Supplement, if any, that would affect the trading price of the related equity instruments have been disclosed.

Currency-Linked Notes

The Bank may issue Notes with the principal amount payable at Maturity and/or the amount of interest payable on any Interest Payment Date to be determined by reference to the value of one or more currencies as compared to the value of one or more other currencies, which are referred to as “**Currency-Linked Notes.**” The applicable Pricing Supplement or Final Terms will specify the following:

- information as to the one or more currencies to which the principal amount payable at Maturity or the amount of interest payable on any Interest Payment Date is linked or indexed;
- the currency in which the face amount of the Currency-Linked Note is denominated, which is referred to as the “denominated currency”;
- the currency in which principal on the currency-linked note will be paid, which is referred to as the “payment currency”;
- the interest rate per annum and the dates on which the Issuer will make interest payments;
- specific historic exchange rate information and any currency risks relating to the specific currencies selected; and
- additional tax considerations, if any.

The denominated currency and the payment currency may be the same currency or different currencies. Interest on Currency-Linked Notes will be paid in the denominated currency.

Risks Related to Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes, Equity-Linked Notes and Currency-Linked Notes

An investment in Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes, Equity-Linked Notes or Currency-Linked Notes entails significant risks that are not associated with similar investments in conventional fixed-rate debt securities. A description of certain of these risks will be included in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. Any credit ratings assigned to the Program are a reflection of the Bank’s credit status and in no way are a reflection of the potential impact of the risk factors inherent in an investment in Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes, Equity-Linked Notes or Currency-Linked Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks

entailed by such an investment and the suitability of Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes, Equity-Linked Notes or Currency-Linked Notes in light of their particular circumstances.

Partly Paid Notes

The Notes may be issued with the issue price thereof payable in two or more installments (“**Partly Paid Notes**”), as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any.

Payment of Principal, Premium and Interest

The Bank is obligated to make payments of principal of, and premium, if any, and interest on, all Notes in the applicable Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of debts). Any such amounts to be paid by the Bank in respect of DTC Global Notes denominated other than in U.S. Dollars will, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, be converted by the Global Agent or such other agent as may be specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, which for these purposes shall act as Exchange Agent, into U.S. Dollars for payment to the Beneficial Owners of interests in such Notes (“**DTC Beneficial Owners**”). However, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the DTC Beneficial Owner may elect to receive such payments in the applicable Specified Currency (if other than U.S. Dollars) as hereinafter described.

The U.S. Dollar amount to be received by a holder of a DTC Global Note denominated other than in U.S. Dollars will be based on the Exchange Agent’s bid quotation as of 11:00 a.m., London time, on the second day on which banks are open for business in London and New York City preceding the applicable payment date, for the purchase of U.S. Dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of DTC Global Notes denominated other than in U.S. Dollars scheduled to receive U.S. Dollar payments. If such bid quotation is not available, the Exchange Agent will obtain a bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Agent for such purchase. If no such bids are available, payment of the aggregate amount due to all holders of DTC Global Notes on the payment date will be made in the Specified Currency. All determinations referred to above made by the Exchange Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Bank and by the holders of a DTC Global Note. All currency exchange costs will be borne by the holder of such DTC Global Note by deductions from such payments.

A DTC Beneficial Owner may elect to receive wire transfer payment of principal of, or premium, if any, or interest with respect to, the Notes in the Specified Currency by notifying DTC prior to 5:00 p.m., New York City time, on the third Business Day following the applicable Record Date in the case of interest, and the twelfth calendar day prior to the payment date for the payment of principal, of (i) such owner’s election to receive all or a portion of such payment in the Specified Currency for value on the relevant Interest Payment Date or Maturity, as the case may be, and (ii) wire transfer instructions to an account denominated in the Specified Currency with respect to any payment to be made in the Specified Currency. Such election shall be made by the DTC Beneficial Owner and any such election in respect of that payment shall be irrevocable. Any such election made with respect to a Note by the holder will remain in effect with respect to any further payments of principal of, premium, if any, and interest on such Note payable to the holder, unless such election is revoked on or prior to the fifth Business Day following the applicable Regular Record Date for the related payment of interest and the tenth calendar day prior to the related payment date for the payment of principal. An indirect DTC participant must notify the DTC participant through which it is holding its interest in a DTC Global Note of such election and wire transfer instructions prior to 5:00 p.m., New York City time, on the first Business Day following the applicable Record Date. DTC will notify the Global Agent of such election and wire transfer instructions prior to 5:00 p.m., New York City time, on the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal. If complete instructions are received by the DTC participant and forwarded by the DTC participant to DTC, and by DTC to the Global Agent, on or prior to such dates, the DTC Beneficial Owner will receive payment in the Specified Currency outside the DTC system. Otherwise only U.S. Dollar payments will be made by the Global Agent. Payments in the Specified Currency outside the DTC system will be made by wire transfer of same day funds in accordance with the relevant wire transfer instructions for value on the relevant payment date.

Interest on a Registered Note will be paid generally to the person in whose name such Note (or any predecessor Note) is registered (which, in the case of Registered Global Notes, will be DTC, its nominee or a nominee on behalf of Euroclear and Clearstream, Luxembourg) at the close of business on the Record Date next preceding the applicable Interest Payment Date; *provided, however*, that interest payable at Maturity will be payable to the person to whom principal shall be payable (which, in the case of Registered Global Notes, will be DTC, its nominee or a nominee on behalf of Euroclear and Clearstream, Luxembourg). The first payment of interest on any Registered Note originally issued between a Record Date and the Interest Payment Date immediately following such Record Date will be made on the second Interest Payment Date following the Original Issue Date of such Note to the

registered holder on the Record Date immediately preceding such second Interest Payment Date. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, a “Record Date” with respect to any Note shall be the third calendar day, whether or not a Business Day, immediately preceding the related Interest Payment Date. Any interest not punctually paid or duly provided for (“**Defaulted Interest**”) shall forthwith cease to be payable to the holder thereof on the applicable Record Date, and shall instead be payable to the person in whose name such Note is registered at the close of business on a special record date (the “**Special Record Date**”) for the payment of such Defaulted Interest to be fixed by the Global Agent, notice whereof shall be given by the Global Agent to the holder of such Note as described herein not less than 15 days prior to such Special Record Date.

Payment of the principal of, and premium, if any, and interest on, any Definitive Registered Note at Maturity to be made in U.S. Dollars will be made in immediately available funds upon surrender of such Note at a specified office of a Paying Agent, provided that the Definitive Registered Note is presented to the Paying Agent in time for such Paying Agent to make such payments in immediately available funds in accordance with its normal procedures. Payments of interest on any Definitive Registered Note, other than at Maturity, will be payable to the holder of such Note as of the Record Date with respect to such Interest Payment Date by wire transfer of immediately available funds if appropriate written wire transfer instructions have been received by the Paying Agent not less than 16 days prior to the applicable Interest Payment Date.

The total amount of any principal, premium, if any, and interest due on any Registered Global Note on any Interest Payment Date or Maturity, as the case may be, will be made available to the Global Agent on such date. As soon as possible thereafter, the Global Agent will make such payment to the relevant clearing system.

Each such clearing system will credit its participants with payment in amounts proportionate to their respective beneficial interests in the principal amount of such Registered Global Note in accordance with its existing operating procedures. None of the Bank, the Global Agent or the London Paying Agent shall have any responsibility or liability for such payments by the clearing system. So long as DTC, its nominee or a nominee on behalf of Euroclear and/or Clearstream, Luxembourg is the holder of any Registered Global Note, DTC, its nominee or the nominee on behalf of Euroclear and/or Clearstream, Luxembourg, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes. See “—Form of Notes and Registration.”

Subject to any fiscal or other laws and regulations applicable thereto in the place of payment, payments on Registered Global Notes to be made in a Specified Currency other than in U.S. Dollars will be made by transfer to an account in the Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee in the principal financial center of the country of the Specified Currency, provided however, payments may not be transferred to an account at a bank located in, the United States of America or its possessions by any office or agency of the Bank, the Global Agent or any Paying Agent.

Unavailability of Specified Currency

If the principal of, or premium, if any, or interest on, any Note is payable in a Specified Currency other than U.S. Dollars that is not available due to the imposition of exchange controls or other circumstances beyond the control of the Bank, the Bank will be entitled to satisfy its obligations to holders of the Notes by making such payment in U.S. Dollars, until the Specified Currency is again available, on the basis of the most recently available bid quotation from a leading foreign exchange bank in London or New York City selected by the Global Agent, for the purchase of U.S. Dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in U.S. Dollars scheduled to receive U.S. Dollar payments (the “**Market Exchange Rate**”). Any payment made under such circumstances in U.S. Dollars where the required payment is other than in U.S. Dollars will not constitute an “Event of Default” under the Notes.

Additional Amounts

All payments of principal, premium, if any, and interest with respect to the Notes will be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or other governmental charges of whatever nature imposed or levied by the United States or any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is required by (i) the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (ii) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings (including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in the United States or any political subdivision thereof). If a withholding or deduction at source is required, the Bank will, if so specified in the applicable supplement, subject to certain limitations and exceptions (set forth below), pay to a holder of Notes who is a Non-United States person such additional amounts (“**Additional Amounts**”) as may be necessary so that every net payment of principal, premium, if any, or interest with respect to such Notes after such withholding or deduction, will

not be less than the amount provided for in the Notes. However, the Bank shall not be required to make any payment of Additional Amounts for or on account of:

- (a) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership, limited liability company or corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, partner, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein, or (ii) the presentation of a Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (b) any estate, inheritance, gift, sales, transfer, excise, wealth, personal property or similar tax, fee, duty, assessment or other governmental charge;
- (c) any tax, fee, duty, assessment or other governmental charge imposed by reason of such holder's past or present status as a personal holding company, foreign personal holding company, private foundation or other tax-exempt organization, passive foreign investment company, or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;
- (d) any tax, fee, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal, premium or interest with respect to the Notes;
- (e) any tax, fee, duty, assessment or other governmental charge imposed on interest received by anyone who (i) owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Bank, (ii) is a controlled foreign corporation for United States tax purposes that is a related person (within the meaning of Section 864(d)(4) of the Code) with respect to the Bank or (iii) is a bank for United States tax purposes whose receipt of interest with respect to any Note is described in Section 881(c)(3)(A) of the Code;
- (f) any tax, fee, duty, assessment or other governmental charge that would not have been imposed or withheld but for the treatment of the interest paid by the Bank as contingent interest described in Section 871(h)(4) of the Code; *provided*, that such treatment was disclosed in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, and such document indicates that no Additional Amounts will be paid;
- (g) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or of the beneficial owner of such Note, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, fee, duty, assessment or other governmental charge;
- (h) any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (i) any tax, fee, duty, assessment or other charge with respect to any Notes presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union;
- (j) any tax, fee, duty, assessment, or other charge that is imposed or withheld by reason of the payment being treated as a dividend or dividend equivalent for U.S. tax purposes;
- (k) any tax, fee, duty, assessment, or other charge that is imposed or withheld by reason of the application of Sections 1471 through 1474 (or any successor provisions) of the Code, any regulation, pronouncement, or agreement thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; or
- (l) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) and (k);

nor shall Additional Amounts be paid to any holder of a Note who is a fiduciary, partnership, limited liability company, another fiscally transparent entity, or other than the sole beneficial owner of the Note to the extent a beneficiary or settlor with respect to such fiduciary or a partner or member of such partnership or limited liability company or a beneficial owner of the Note would not have

been entitled to payment of the Additional Amounts had such beneficiary, settlor, partner, member or beneficial owner been the holder of the Note.

The term “Non-United States person” means any person other than a person who or which is, for United States federal income tax purposes (i) an individual citizen or resident of the United States; (ii) a corporation or partnership (or other entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof; or (iii) an estate or trust treated as a United States person under Section 7701(a)(30) of the Code.

Whenever there is mentioned herein, in any context, the payment of principal of, or premium, if any, or interest on, or in respect of, a Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of such Note and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Redemption for Tax Reasons

Unless otherwise set forth in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Bank may redeem any Note in whole but not in part at any time at a redemption price equal to the principal amount thereof (or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof determined as of the date of redemption), together, if appropriate, with accrued interest to but excluding the date fixed for redemption, if the Bank shall determine, that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of (i) the United States or of any political subdivision or taxing authority thereof or therein affecting taxation or (ii) the relevant taxing jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in application or official interpretation of such laws, regulations or rulings, which amendment or change is effective on or after the Original Issue Date of such Note, the Bank would be required to pay Additional Amounts on the occasion of the next payment due with respect to such Note.

Notice of intention to redeem Notes will be given at least once as described herein not less than 30 days nor more than 60 days prior to the date fixed for redemption; *provided*, that no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such Additional Amounts remains in effect and cannot be avoided by the Bank’s taking reasonable measures available to it. From and after any redemption date, if monies for the redemption of Notes shall have been made available for redemption on such redemption date, such Notes shall cease to bear interest, if applicable, and the only right of the holders of such Notes shall be to receive payment of the principal amount thereof (or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof) and, if appropriate, all unpaid interest accrued to such redemption date. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the redemption date with respect to any Floating Rate Note will be an Interest Payment Date.

Redemption at the Option of the Bank

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Notes will not be subject to any sinking fund. If so agreed upon by the Bank and the initial purchaser(s) thereof, a Note or Notes will be redeemable on and after a date fixed at the time of sale and specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (the “**Initial Redemption Date**”), either in whole or in part, at the option of the Bank, on written notice given as described herein not more than 60 nor less than 30 calendar days prior to the date of redemption by the Bank to the holder thereof (unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any). On and after the Initial Redemption Date, if any, such Note will be redeemable in increments of U.S.\$1,000 (or, in the case of Global Notes, €1,000) or the equivalent thereof in other currencies (provided that any remaining principal amount of such Note or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof determined as of the date of redemption, shall be at least an authorized denomination) at the option of the Bank at the applicable Redemption Price, together, if appropriate, with unpaid interest accrued thereon at the applicable rate borne by such Note to the date of redemption.

The “Redemption Price” initially will be the Initial Redemption Percentage (as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any) of the principal amount (or, in the case of an Original Issue Discount Note, the Amortized Face Amount determined as of the date of redemption) of such Note to be redeemed and will decline at each anniversary of the Initial Redemption Date by the Annual Redemption Reduction (as specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any), if any, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount (or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof determined as of the date of redemption).

Whenever less than all the Notes at any time outstanding are to be redeemed, the Notes to be so redeemed shall be selected by the Bank. If less than all the Notes with identical terms at any time outstanding are to be redeemed, the Notes to be so redeemed shall be selected by the Global Agent or the relevant Paying Agent by lot or in any usual manner approved by it. If no Initial Redemption Date is specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, such Note will not be redeemable prior to its Stated Maturity Date (other than for tax reasons). The Global Agent, in its capacity as Registrar, is not required to register the transfer of any Registered Note that has been called for redemption during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of such redemption and ending at the close of business on the day of such mailing. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the redemption date with respect to any Floating Rate Note will be an Interest Payment Date.

Restrictions on Redemption of Subordinated Notes

To the extent then required under or pursuant to applicable regulations, the Bank may not redeem any Subordinated Note without the prior approval of the OCC. With the foregoing exception, the Subordinated Notes may be subject to redemption at the option of the Bank in the manner described immediately above.

Repayment at the Option of the Holder

The Notes will be subject to repayment at the option of the holders thereof in accordance with the terms of the Notes on their respective optional repayment dates, if any, as agreed upon by the Bank and the purchasers thereof at the time of sale and specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any (each, a “**Holder’s Optional Repayment Date**”). If no Holder’s Optional Repayment Date is specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, such Note will not be repayable at the option of the holder thereof prior to its Stated Maturity Date. On any Holder’s Optional Repayment Date with respect to a Note, such Note will be repayable in whole, or in part in increments of U.S.\$1,000 or the equivalent thereof in other currencies (provided that any remaining principal amount of such Note or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof determined as of the date of repayment, shall be at least an authorized denomination) at the option of the holder thereof at a repayment price equal to 100% of the principal amount to be repaid (or, in the case of an Original Issue Discount Note, the Amortized Face Amount thereof determined as of the date of repayment), together, if appropriate, with accrued and unpaid interest thereon payable to the date of repayment. For any Note to be repaid, such Note must be received, together with the form entitled “Option to Elect Repayment” attached thereto duly completed, by the Global Agent or the relevant Paying Agent not more than 60 nor less than 30 days prior to the Holder’s Optional Repayment Date (unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any).

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Subordinated Notes will not be repayable at the option of the holder prior to their Stated Maturity Date.

Redemption at Maturity

Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, and unless previously redeemed or purchased and cancelled as described above, each Note will, on the Stated Maturity Date, become due and payable at the redemption price specified in such Note, and from and after such date such Note will cease to bear interest. Upon surrender of any such Note for redemption, the Global Agent or the relevant Paying Agent will pay or cause to be paid such Note at the redemption price, together with unpaid interest accrued thereon at the applicable rate borne by such Note to the redemption date.

Further Issues

The Bank may from time to time, without notice to or the consent of the holders of any Series of Notes, create and issue further notes ranking *pari passu* with such Series of Notes and with identical terms in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes) in order that such further notes may be consolidated and form a single Series with such outstanding Series of Notes and have the same terms as to status, redemption or otherwise as such Series of Notes.

Purchase by the Bank

The Bank may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the Bank, surrendered to the Global Agent or any Paying Agent for cancellation.

Events of Default

The following will be “Events of Default” with respect to the Senior Notes of any Series, as the same are described with greater particularity in the Senior Notes: failure to pay any interest (including any Additional Amounts) with respect to any of the

Senior Notes when due, which continues for 30 days; failure to pay any principal of, or premium, if any, on, any of the Senior Notes when due; failure to perform any covenant or agreement of the Bank contained in the Senior Notes, which continues for 60 days after written notice as provided in the Notes; and certain events involving the appointment of a receiver or similar official in any receivership, liquidation, insolvency or similar proceeding with respect to the Bank or all or substantially all of its property.

“Events of Default” with respect to the Subordinated Notes will, as the same are described with greater particularity in the Subordinated Notes, be limited to certain events involving the appointment of a receiver or similar official in any receivership, liquidation, insolvency or similar proceeding with respect to the Bank or substantially all of its property. **There is no right of acceleration in the case of default in the payment of principal of, or premium, if any, or interest on, any Subordinated Note or in the performance of any other obligation of the Bank under any Subordinated Note or under any other securities issued by the Bank.** See “Description of Notes—Ranking—Subordinated Notes.”

The holder of a Note (or DTC, Euroclear or Clearstream, Luxembourg, in the case of a Registered Global Note) may declare the principal amount of and accrued interest on such Note due and payable immediately if an Event of Default with respect to such Note shall have occurred and be continuing at the time of such declaration. **In the event of an acceleration of a Subordinated Note pursuant to an Event of Default with respect thereto, to the extent then required under or pursuant to applicable capital regulations, no payment may be made by the Bank with respect to such Subordinated Note without the prior approval of the OCC.** Any Event of Default with respect to the Notes may be waived by any holder with respect to such holder’s Notes. Following an Event of Default, Beneficial Owners representing a majority in principal amount of a Registered Global Note then outstanding may act through the relevant clearing system to terminate use of the book-entry system for the Notes represented thereby. See “Form of Notes and Registration—Registered Notes.”

Meetings, Modifications and Waivers

The Agency Agreement contains provisions that, unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, are binding on the Bank, the Noteholders, for convening meetings of holders of Notes to consider matters affecting their interests, including modification or waiver of any of the provisions of the Agency Agreement or the Notes.

The Notes may be amended by the Bank, and the Agency Agreement may be amended by the Bank, the Global Agent and the London Paying Agent, (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, (ii) to make any further modifications of the terms of the Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to the holders of outstanding Notes) or (iii) in any manner which the Bank (and, in the case of the Agency Agreement, the Global Agent and the London Paying Agent) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, to all of which each holder of Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the holders of at least 66 2/3% of the principal amount of the Notes to be affected thereby, the Bank, the Global Agent and the London Paying Agent may from time to time and at any time enter into agreements modifying or amending the Agency Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Agency Agreement; *provided, however*, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby (i) change the Stated Maturity Date with respect to any Note or reduce or cancel the amount payable at Maturity; (ii) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method of calculating the rate of interest with respect to any Note; (iii) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (iv) modify the currency in which payments under any Note are to be made; (v) change the obligation of the Bank to pay Additional Amounts with respect to Notes; (vi) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify or amend the Agency Agreement or to waive any future compliance or past default; (vii) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is required at any meeting of holders of Notes at which a resolution is adopted; or (viii) materially modify the redemption provisions relating to the redemption price or redemption date relating to any Note. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to the Agency Agreement or the provisions of the Notes will be conclusive and binding on all holders of Notes whether or not notation of such modifications, amendments or waivers is made upon the Notes. It will not be necessary for the consent of the holders of Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Notes authenticated and delivered after the execution of any amendment to the Agency Agreement may bear a notation in form approved by the Global Agent and/or the London Paying Agent as to any matter provided for in such amendment.

New Notes so modified as to conform, in the opinion of the Global Agent and/or the London Paying Agent and the Bank, to any modification contained in any such amendment may be prepared by the Bank, authenticated by the Global Agent and/or the London Issuing Agent and delivered in exchange for the Notes then outstanding.

In the event that the Bank and the Global Agent and/or the London Paying Agent shall effect any modification or amendment to the provisions of any particular Note as aforesaid, the Bank will have no obligation to effect a similar modification or amendment to any other Note, irrespective of the Series to which such other Note may belong.

Notices

All notices regarding Registered Notes will be mailed to the registered owners thereof as their names appear in the Note Register. Such notices will be given to DTC, Euroclear or Clearstream, Luxembourg or its nominee, as the registered owners thereof, in the manner approved by such clearing system for this purpose.

Global Agent and Other Agents

The names of the initial Global Agent, Registrar, London Issuing Agent, London Paying Agent, Paying Agents and Transfer Agents and their initial specified offices are set out on the inside back cover of this Offering Circular. In acting under the Agency Agreement, the Global Agent, the Registrar, London Issuing Agent, London Paying Agent, the Paying Agents and the Transfer Agents will act solely as agents of the Bank and do not assume any obligations or relationships of agency or trust to or with the holders of Notes except that (without affecting the obligations of the Bank to the holders of Notes to repay Notes and pay interest thereon) funds received by the Paying Agent for the payment of the principal of, and premium, if any, or interest on, the Notes shall be held by it in trust for the holders of Notes. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Bank without being liable to account to any holder of Notes for any resulting profit.

The Notes will not be issued pursuant to an indenture and, as such, the Paying Agent will not be obligated to exercise certain responsibilities that may be exercised by an independent trustee in connection with certain other debt offerings. Among the responsibilities that may be exercised by an independent trustee in connection with certain other debt offerings that will not be exercised by the Paying Agent are discretionary actions in connection with Events of Default. Each holder of a Note will therefore be responsible for acting independently with respect to certain matters affecting such holder's Note including, but not limited to, responding to requests for consents or waivers, giving written notice of default in the performance of any agreement contained in the Note and accelerating the maturity of such Note on the occurrence of an Event of Default. See "Form of Notes and Registration."

The Bank is entitled to vary or terminate the appointment of any Paying Agent or any Transfer Agent and/or appoint additional or other Paying Agents or Transfer Agents and/or approve any change in the specified office through which any Paying Agent or Transfer Agent acts, provided that:

(i) so long as any Notes are listed, quoted or traded on any securities exchange, listing authority or quotation system, there will at all times be a Paying Agent and Transfer Agent with a specified office in each location required by the rules and regulations of the relevant securities exchange, listing authority or quotation system;

(ii) there will at all times be a Paying Agent and Transfer Agent with a specified office in London;

(iii) so long as the Notes are issued in registered form, there will at all times be a Paying Agent and a Registrar in The City of New York;

(iv) there will at all times be a Paying Agent in a member state of the European Union that will not be obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive any law implementing or complying with, or introduced in order to conform to, such Directive; and

(v) there will at all times be a Global Agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days prior notice thereof shall have been given to the Global Agent and the holders of the Notes as described herein, provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date.

Repayment of Monies

Any monies paid by the Bank to the Global Agent for the payment of principal, premium, if any, or interest with respect to any Registered Notes and remaining unclaimed at the end of five years after the principal of such Registered Notes shall have become due and payable (whether at the Stated Maturity Date or otherwise) and monies sufficient therefor shall have been duly made available for payment shall be repaid, together with any premium or interest made available for payment thereon, to the Bank, and upon such repayment all liability of the Global Agent with respect to such funds shall thereupon cease.

Governing Law

The Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflicts of law principles. The Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflicts of laws principles, and all applicable federal laws and regulations.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

ANY DISCUSSIONS OF UNITED STATES FEDERAL INCOME TAX MATTERS SET FORTH IN THIS OFFERING CIRCULAR AND THE APPLICABLE FINAL TERMS, PRICING SUPPLEMENT OR PROGRAM SUPPLEMENT, WERE WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE BANK AND THE DEALERS OF THE NOTES. SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY UNITED STATES FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative, or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this private placement memorandum or the applicable pricing supplement, as the case may be, and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between the Bank, the Dealers or their representatives and each prospective investor regarding the transactions contemplated herein.

The following summary describes certain United States federal income tax considerations as of the date hereof of the acquisition, ownership and disposition of Notes in registered form to U.S. Holders and Notes in registered form to Non-U.S. Holders. Except where noted, it deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, controlled foreign corporations, passive foreign investment companies, certain United States expatriates or U.S. Holders of the Notes whose “functional currency” is not the U.S. Dollar. If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Persons that are partners in a partnership holding the Notes are urged to consult their tax advisors. This summary also assumes that a taxpayer obtains any necessary consent of the Internal Revenue Service (the “IRS”) before changing a method of accounting. Unless otherwise indicated, the following summary does not address state, local or foreign tax consequences of the ownership of Notes.

Furthermore, the discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. Any such changes may apply retroactively. Any special United States federal income tax considerations relevant to a particular issue of the Notes (including, but not limited to, Indexed Notes, Commodity-Linked Notes, Credit-Linked Notes and Equity-Linked Notes) will be provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. **Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any state, local or foreign taxing jurisdiction.**

As used in this summary, the term “**U.S. Holder**” means a beneficial owner of a Note who or which is, for United States federal income tax purposes (i) an individual citizen or resident of the United States; (ii) a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income tax regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the previous sentence, to the extent provided in Treasury Regulations, some trusts in existence on August 20, 1996, and treated as U.S. persons prior to that date that elect to continue to be treated as U.S. persons, also will be U.S. Holders. The term “**Non-U.S. Holder**” means a beneficial owner of a Note (other than a partnership) that is not a U.S. Holder.

The following summary does not describe the United States federal income tax considerations of the ownership of Credit-Linked Notes, a description of which will be included in the applicable Final Terms, Pricing Supplement, Program Supplement, term sheet or other supplement to the Offering Circular.

U.S. Holders

United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes

The discussion in this section applies to Notes issued under the Program that will be classified for United States federal income tax purposes as the Bank's indebtedness.

Taxation of Interest

The taxation of interest on a Note depends on whether the interest constitutes "qualified stated interest." Interest on a Note that is qualified stated interest is includible in a U.S. Holder's income as ordinary interest income when actually or constructively received (if the U.S. Holder uses the cash method of accounting for United States federal income tax purposes) or when accrued (if the U.S. Holder uses an accrual method of accounting for United States federal income tax purposes). Interest that is not qualified stated interest is includible in a U.S. Holder's income under the rules governing "original issue discount," described below, regardless of the U.S. Holder's regular method of tax accounting. Notwithstanding the foregoing, interest that is payable on a Note with a maturity of one year or less from its issue date, referred to as a "**Short-Term Note**," is included in a U.S. Holder's income under the rules described below under "*—Short-Term Notes.*"

Fixed Rate Notes

Interest on a Fixed Rate Note will constitute "qualified stated interest" if the interest is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than the Bank's debt instruments) at least annually at a single fixed rate.

Floating Rate Notes

Interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than the Bank's debt instruments) at least annually will constitute "qualified stated interest" if the Note is a variable rate debt instrument under the rules described below and the interest is payable at a single "qualified floating rate" or single "objective rate." If the Note is a variable rate debt instrument but the interest is payable at a rate other than a single qualified floating rate or a single objective rate, special rules apply to determine the portion of the interest that constitutes "qualified stated interest." See "*—Taxation of Original Issue Discount—Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes—Notes that are Variable Rate Debt Instruments*" below.

Definition of a Variable Rate Debt Instrument. A Floating Rate Note generally is a variable rate debt instrument if all of the four following conditions are met.

First, the "issue price" (as described below) of the Note must not exceed the total non-contingent principal payments by more than an amount equal to the lesser of (i) .015 *multiplied* by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity); or (ii) 15% of the total non-contingent principal payments.

Second, except as provided in the preceding paragraph, the Floating Rate Note must not provide for any principal payments that are contingent.

Third, the Note must provide for stated interest (compounded or paid at least annually) at (i) one or more qualified floating rates; (ii) a single fixed rate and one or more qualified floating rates; (iii) a single objective rate; or (iv) a single fixed rate and a single objective rate that is a "qualified inverse floating rate."

Fourth, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the instrument is set at the current value of that rate. A current value is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Definition of a Qualified Floating Rate. Subject to certain exceptions, a variable rate of interest on a Note is a "**qualified floating rate**" if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. A variable rate is considered a qualified floating rate if the variable rate equals (1) the product of an otherwise qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35; or (2) an otherwise qualified floating rate (or the product described in clause (1)) *plus* or *minus* a fixed rate. If the variable rate equals the product of an otherwise qualified floating rate and a single fixed multiple greater than 1.35 or less than or equal to 0.65, however, the rate generally may be an objective rate, described more fully below. If a Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have

approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the Note).

Definition of an Objective Rate. Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the control of the issuer (or a related party) nor unique to the circumstances of the issuer (or a related party). For example, an objective rate generally includes a rate that is based on one or more qualified floating rates or on the yield or price of actively traded personal property (within the meaning of Section 1092(d)(1) of the Code). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. An objective rate is a “qualified inverse floating rate” if (1) the rate is equal to a fixed rate minus a qualified floating rate and (2) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

If interest on a Note is stated at a fixed rate for an initial period of one year or less, followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and (i) the value of the variable rate on the issue date is intended to approximate the fixed rate or (ii) the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points, then the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate.

Taxation of Original Issue Discount

Definition of OID

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Notes having OID that are denominated in or determined by reference to a Specified Currency other than the U.S. Dollar are described under “—*Foreign Currency Notes*” below.

OID is the excess, if any, of a Note’s “stated redemption price at maturity” over its “issue price,” if such excess equals or exceeds a specified *de minimis* amount (generally 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note)). A Note’s “stated redemption price at maturity” is the sum of all payments provided by the Note (whether designated as interest or principal) other than payments of qualified stated interest. The “issue price” and “issue date” of a Note will be the first price and the first settlement or closing date (whichever is applicable), respectively, at which a substantial amount of the Notes in the issuance that includes such Note is sold for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

As described more fully below, U.S. Holders of Notes with OID that mature more than one year from their issue date generally are required to include the OID in income as it accrues in accordance with the constant yield method described below, irrespective of the receipt of the related cash payments. A U.S. Holder’s tax basis in a Note is increased by each accrual of OID and decreased by each payment other than a payment of qualified stated interest.

In the case of a Note issued with *de minimis* OID, the Note is not treated as issued with OID, and the *de minimis* OID that is not included in payments of stated interest is generally included in income as capital gain as principal payments are made. The amount includible with respect to a principal payment equals the product of the total amount of *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment and the denominator of which is the stated principal amount of the Note.

Inclusion of OID in Income—Fixed Rate Notes

The amount of OID includible in the income of a U.S. Holder for any taxable year is determined under the constant yield method, in four steps.

In the first step, the “yield to maturity” of the Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Note (including payments of qualified stated interest), produces an amount equal to the issue price of the Note. The yield to maturity is constant over the term of the Note and, when expressed as a percentage, must be calculated to at least two decimal places.

In the second step, the term of the Note is divided into “accrual periods.” Accrual periods may be of any length and may vary in length over the term of the Note; *provided*, that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period.

In the third step, the total amount of OID on the Note is allocated among accrual periods. In general, the OID allocable to an accrual period equals the product of the “adjusted issue price” of the Note at the beginning of the accrual period and the yield to maturity of the Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Note is its issue price, increased by the amount of OID previously includible in the gross income of any U.S. Holder and decreased by the amount of any payment previously made on the Note other than a payment of qualified stated interest. For purposes of computing the adjusted issue price of a Note, the amount of OID previously includible in the gross income of any U.S. Holder is determined without regard to “premium” and “acquisition premium,” as those terms are defined below under “— *Premium and Acquisition Premium*”.

In the fourth step, the “daily portions” of OID are determined by allocating to each day in an accrual period its ratable portion of the OID allocable to the accrual period.

A U.S. Holder includes in income in any taxable year the daily portions of OID for each day during the taxable year that the U.S. Holder held Notes. In general, under the constant yield method described above, U.S. Holders are required to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of a Note that is redeemable at the Bank’s option or repayable by the Bank at the option of the U.S. Holder, the maturity and the yield to maturity of the Note are determined by assuming that the Bank and the U.S. Holder will exercise or not exercise the options in a manner that minimizes the yield, in the case of options available to the Bank, or maximizes the yield, in the case of options available to the U.S. Holder. The foregoing rule applies, however, only if the timing and amount of the payments that comprise each possible payment schedule are known as of the issue date of the Note.

Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes

The taxation of OID (including interest that does not constitute qualified stated interest) on a Floating Rate Note, an Indexed Note, a Commodity-Linked Note or an Equity-Linked Note will depend on whether the Note is a variable rate debt instrument, as that term is described above under “—*Taxation of Interest—Floating Rate Notes—Definition of a Variable Rate Debt Instrument.*”

Notes that are Variable Rate Debt Instruments. In the case of a variable rate debt instrument that provides for qualified stated interest at a single qualified floating rate or objective rate, the amount of qualified stated interest and OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Note that is a variable rate debt instrument does not provide for qualified stated interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, in the case of an instrument that provides for interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate, replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.

Second, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day Commercial Paper Rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day Commercial Paper Rate and quarterly LIBOR, or the 30-day Commercial Paper Rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “—*Taxation of Interest*” and “—*Taxation of Original Issue Discount —Inclusion of OID in Income —Fixed Rate Notes*” above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument. In general, this increase or decrease is an adjustment to qualified stated interest for the accrual period if the equivalent fixed rate debt instrument constructed under the third step provides for qualified stated interest and the increase or decrease is reflected in the amount actually paid during the accrual period, and otherwise the increase or decrease is an adjustment to OID, if any, for the accrual period.

Contingent Notes. Unless otherwise noted in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes that are not variable rate debt instruments (collectively referred to as “**Contingent Notes**”) will be treated as “contingent payment debt instruments” and will be taxable under the rules applicable thereto (the “**Contingent Debt Regulations**”) for United States federal income tax purposes. As a result, the Contingent Notes will generally be subject to the OID provisions of the Code and the Treasury Regulations thereunder, and a U.S. Holder will be required to accrue interest income on the Contingent Notes as set forth below.

At the time the Contingent Notes are issued, the Bank will be required to determine a “comparable yield” for the Contingent Notes. The comparable yield takes into account the yield at which the Bank could issue a fixed rate debt instrument with terms and conditions similar to those of the Contingent Note (including the level of subordination, term, timing of payments and general market conditions, but not taking into consideration the riskiness of the contingencies or the liquidity of the Contingent Note), but is not less than the applicable federal rate (based on the overall maturity of the Contingent Note) announced monthly by the IRS (the “**AFR**”) and in effect for the month in which the Contingent Note is issued. The comparable yield may be greater than or less than the stated interest rate, if any, with respect to the Contingent Notes. In certain cases where contingent payments with respect to Contingent Notes are not based on market information and where Contingent Notes are marketed or sold in substantial part to tax-exempt investors or other investors for whom the prescribed inclusion of interest is not expected to have a substantial effect on their United States tax liability, the comparable yield for the Contingent Note, without proper evidence to the contrary, is presumed to be the AFR.

Solely for purposes of determining the amount of interest income that a U.S. Holder will be required to accrue (and which the Bank will be required to report on an IRS Form 1099), the Bank will be required to construct a “projected payment schedule” for the Contingent Notes, determined under the Contingent Debt Regulations (the “**Schedule**”), representing a series of payments the amount and timing of which would produce a yield to maturity on the Contingent Notes equal to the comparable yield. The Schedule is determined as of the issue date and generally remains in place throughout the term of the Contingent Notes. The Schedule includes each non-contingent payment and an amount for each contingent payment as determined below. If a contingent payment is based on market information, the amount of the projected payment is the forward price of the contingent payment. If a contingent payment is not based on market information, the amount of the projected payment is the expected value of the contingent payment as of the issue date. The Schedule must produce the comparable yield determined as set forth above. Otherwise, the Schedule must be adjusted under the rules set forth in the Contingent Debt Regulations to produce the comparable yield. **Neither the comparable yield nor the projected payment schedule constitutes a representation by the Bank regarding the actual amount, if any, that the Contingent Notes will pay.** The Bank is required to provide each U.S. Holder of a Contingent Note with the Schedule described above. If the Bank does not create a Schedule or the Schedule is unreasonable, a U.S. Holder must set its own projected payment schedule and explicitly disclose the use of the schedule and the reason therefor. Unless otherwise prescribed by the IRS, the U.S. Holder must make the disclosure on a statement attached to the U.S. Holder’s timely filed United States federal income tax return for the taxable year in which the Contingent Note was acquired.

A U.S. Holder of a Contingent Note, regardless of its regular accounting method, will be required to accrue as OID the sum of the daily portions of interest on the Contingent Note for each day in the taxable year on which the U.S. Holder held the Contingent Note, calculated by reference to the comparable yield and adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the Contingent Note as set forth below. The daily portions of interest in respect of a Contingent Note are determined by allocating to each day in an accrual period the ratable portion of interest on the Contingent Note that accrues in the accrual period. The amount of interest on a Contingent Note that accrues in an accrual period is determined by multiplying the comparable yield of the Contingent Note (adjusted for the length of the accrual period) by the Contingent Note’s adjusted issue price at the beginning of the accrual period. The adjusted issue price of a Contingent Note at the beginning of the first accrual period will equal its issue price and for any accrual period after the first accrual period will be (i) the sum

of the issue price of the Contingent Note and any interest previously accrued on the Contingent Note by a U.S. Holder, disregarding any positive or negative adjustments (as discussed below), *minus* (ii) the amount of any non-contingent payment and projected contingent payments on the Contingent Note for previous accrual periods.

A U.S. Holder will be required to recognize additional interest income equal to the amount of any net positive adjustment (i.e., the excess of actual payments over projected payments, in respect of a Contingent Note for a taxable year). A net negative adjustment (i.e., the excess of projected payments over actual payments) in respect of a Contingent Note for a taxable year will first reduce the amount of interest in respect of the Contingent Note that a U.S. Holder would otherwise be required to include in income in the taxable year and, to the extent of any excess, will give rise to an ordinary loss but only to the extent that the amount of all previous interest inclusions with respect to the Contingent Note exceed the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the Contingent Note in prior taxable years.

A net negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the Contingent Note or to reduce the amount realized on a sale, exchange or retirement of the Contingent Note. Where a U.S. Holder purchases a Contingent Note at a price other than the adjusted issue price of the Note, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the Contingent Note over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

If a contingent payment becomes fixed (within the meaning of applicable Treasury Regulations) more than six months before its due date, a positive or negative adjustment, as appropriate, is made to reflect the difference between the present value of the amount that is fixed and the present value of the projected amount. The present value of each amount is determined by discounting the amount from the date the payment is due to the date the payment becomes fixed, using a discount rate equal to the comparable yield. If all contingent payments on a Contingent Note become fixed, substantially contemporaneously, applicable Treasury Regulations provide that, with regard to contingent payments that become fixed on a day that is more than six months before their due date, U.S. Holders should take into account positive or negative adjustments in respect of such contingent payments over the period to which they relate in a reasonable manner. U.S. Holders should consult their tax advisors as to what would be a "reasonable manner" in their particular situation.

Upon a sale, exchange, retirement or other disposition of a Contingent Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other disposition and the U.S. Holder's tax basis in the Contingent Note. If the Bank delivers property, other than cash, to a holder in retirement of a Contingent Note, the amount realized will equal the fair market value of the property, determined at the time of retirement *plus* the amount of cash, if any, received in lieu of property. A U.S. Holder's tax basis in a Contingent Note generally will equal the cost of the Contingent Note, increased by the amount of interest income previously accrued by the U.S. Holder in respect of the Contingent Note, disregarding any positive or negative adjustments, and decreased by the amount of any non-contingent payment and all prior projected contingent payments in respect of the Contingent Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions over the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Other Rules

The Treasury Regulations relating to the tax treatment of OID contain certain language ("**aggregation rules**") stating in general that, with some exceptions, if more than one type of Note is issued in connection with the same transaction or related transactions, the Notes may be treated as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of calculating and accruing any OID. Unless otherwise provided in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, the Bank does not expect to treat different types of Notes as being subject to the aggregation rules for purposes of computing OID.

Market Discount

If a U.S. Holder acquires a Note having a maturity date of more than one year from the date of its issuance and has an initial tax basis in the Note that, in the case of a Note that does not have OID, is less than its stated redemption price at maturity, or, in the case of a Note that has OID, is less than its adjusted issue price, the difference is treated as "market discount" for United States federal income tax purposes, unless the difference is less than 0.0025 *multiplied* by the product of the stated redemption price at maturity and the number of complete years to maturity (from the date of acquisition).

Under the market discount rules of the Code, a U.S. Holder is required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the accrued market discount that has not previously been included in income. Thus, partial principal payments are treated as ordinary income to the extent of accrued market discount that has not previously been included in income. If the Note is disposed of by the U.S. Holder in certain otherwise nontaxable transactions, accrued market discount is includible as ordinary income by the U.S. Holder as if the U.S. Holder had sold the Note at its then fair market value.

In general, market discount accrues on a straight-line basis over the remaining term of the Note. A U.S. Holder may, however, elect to accrue market discount on a constant-yield-to-maturity basis. This election is made on a Note-by-Note basis and is irrevocable.

With respect to Notes with market discount, the ability of a U.S. Holder to deduct immediately the interest expense on any indebtedness incurred or continued to purchase or to carry the Notes may be limited. A U.S. Holder may elect to include market discount in income currently as it accrues (either on a straight-line basis or, if the U.S. Holder so elects, on a constant-yield basis), in which case the interest deduction deferral rule set forth in the preceding sentence does not apply. Such an election applies to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies and is irrevocable without the consent of the IRS. A U.S. Holder's tax basis in a Note is increased by the amount of market discount included in the U.S. Holder's income under the election.

In lieu of the foregoing rules, different rules apply in the case of Contingent Notes where a U.S. Holder's initial tax basis in a Contingent Note is less than the Contingent Note's adjusted issue price (determined under special rules set out in the Contingent Debt Regulations). Accordingly, prospective purchasers of Contingent Notes should consult with their tax advisors with respect to the application of the market discount rules.

Premium and Acquisition Premium

If a U.S. Holder purchases a Note at a "premium," the U.S. Holder does not include any OID in gross income. A Note is purchased at a premium (or "amortizable bond premium") if its adjusted basis in the hands of the purchaser immediately after the purchase exceeds the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest. U.S. Holders may elect to amortize the premium as an offset to qualified stated interest income, using a constant yield method similar to that described above, over the remaining term of the Note (where the Note is not redeemable prior to its maturity date). In the case of Notes that may be redeemed prior to maturity, the premium is calculated assuming that the Bank or the U.S. Holder will exercise or not exercise redemption rights in a manner that maximizes the U.S. Holder's yield. A U.S. Holder who elects to amortize bond premium must reduce its tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. If this election is made with respect to any Note, it will also apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies and to all debt instruments acquired by the U.S. Holder, and will be binding for all subsequent taxable years unless the election is revoked with the consent of the IRS.

If a U.S. Holder purchases a Note with OID at an "acquisition premium," the amount of OID that the U.S. Holder includes in gross income is reduced to reflect the acquisition premium. A Note is purchased at an acquisition premium if its adjusted basis in the hands of the purchaser immediately after the purchase is (1) less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest and (2) greater than the Note's adjusted issue price (as described above).

If a Note is purchased at an acquisition premium, the U.S. Holder reduces the amount of OID otherwise includible in income during an accrual period by *multiplying* such OID by a fraction. The numerator of this fraction is the excess of the adjusted basis of the Note immediately after its acquisition by the purchaser over the adjusted issue price of the Note. The denominator of the fraction is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

As an alternative to reducing the amount of OID otherwise includible in income by multiplying such OID by this fraction, the U.S. Holder may elect to compute OID accruals by treating the purchase as a purchase at original issuance and applying the constant yield method described under "*Taxation of Original Issue Discount*" above.

In lieu of the foregoing rules, different rules apply in the case of Contingent Notes where a U.S. Holder's initial tax basis in a Contingent Note is greater than the Contingent Note's adjusted issue price (determined under special rules set out in the Contingent Debt Regulations). Accordingly, prospective purchasers of Contingent Notes should consult with their tax advisors with respect to the application of the acquisition premium and amortizable bond premium rules.

Pre-Issuance Accrued Interest

If (1) a portion of the initial purchase price of a Note is attributable to interest that has accrued prior to the issue date (“pre-issuance accrued interest”), (2) the first stated interest payment on the Note is to be made within one year of the Note’s issue date and (3) the payment will equal or exceed the amount of pre-issuance accrued interest, then the U.S. Holder may elect to decrease the issue price of the Note by the amount of the pre-issuance accrued interest. In this event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

Short-Term Notes

In the case of a Note with a maturity of one year or less from its issue date (a “**Short-Term Note**”), no interest is treated as qualified stated interest and therefore all interest is included in the stated redemption price at maturity and generally treated as OID. U.S. Holders that report income for United States federal income tax purposes on an accrual method and certain other U.S. Holders, including banks and dealers in securities, are required to include OID in income on the Short-Term Notes on a straight-line basis, unless an election is made to accrue the OID according to a constant yield method based on daily compounding.

Any other U.S. Holder of a Short-Term Note is not required to accrue OID for United States federal income tax purposes, unless it elects to do so, with the consequence that the reporting of the income is deferred until it is received. In the case of a U.S. Holder that is not required, and does not elect, to include OID in income currently, stated interest will generally be taxable at the time it is received and any gain realized on the sale, exchange or other disposition of a Short-Term Note will be treated as ordinary income to the extent of the OID accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of disposition. In addition, non-electing U.S. Holders that are not subject to the current inclusion requirement are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Short-Term Note in an amount not exceeding the deferred interest income with respect to the Short-Term Note (which includes both the accrued OID and accrued interest that are payable but that have not been included in gross income), until the deferred interest income is recognized. A U.S. Holder of a Short-Term Note may elect to apply the foregoing rules (except for the rule characterizing gain on disposition as ordinary) with respect to “acquisition discount” rather than OID. Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the U.S. Holder’s basis in the Short-Term Note. This election applies to all obligations acquired by the taxpayer on or after the first day of the first taxable year to which the election applies, unless revoked with the consent of the IRS. A U.S. Holder’s tax basis in a Short-Term Note is increased by the amount included in the U.S. Holder’s income on the Note.

Election to Treat All Interest as OID

A U.S. Holder may elect to include in gross income all interest that accrues on a Note, including any stated interest, acquisition discount, OID, market discount, *de minimis* OID, *de minimis* market discount and unstated interest (as adjusted by amortizable bond premium and acquisition premium), by using the constant yield method described above under “—*Taxation of Original Issue Discount*.” In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing U.S. Holder’s adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing U.S. Holder and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may be revoked only with the permission of the IRS. An election for a Note with amortizable bond premium results in a deemed election to amortize bond premium for all debt instruments owned and later acquired by the U.S. Holder with amortizable bond premium, which deemed election may be revoked only with the permission of the IRS. Similarly, an election for a Note with market discount results in a deemed election to accrue market discount in income currently for the Note and for all other debt instruments acquired by the U.S. Holder with market discount on or after the first day of the taxable year to which the election first applies, which deemed election may be revoked only with the permission of the IRS. A U.S. Holder’s tax basis in a Note is increased by each accrual of the amounts treated as OID under the constant yield election described in this paragraph.

The application of the foregoing rules may be different in the case of Contingent Notes. Accordingly, prospective purchasers should consult with their tax advisors with respect to the application of the market discount, acquisition premium and amortizable bond premium rules.

Sale, Exchange, Retirement or Other Disposition of Notes

A U.S. Holder generally recognizes gain or loss upon the sale, exchange, retirement or other disposition of a Note equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (not including any amount attributable to accrued but unpaid qualified stated interest) and the U.S. Holder’s adjusted basis in the Note. The amount realized by the U.S. Holder will include the amount of any cash and the fair market value of any other property received for the Note. The adjusted basis in the Note generally equals the cost of the Note, increased by OID, acquisition discount or market discount previously

included in income in respect thereof, and reduced (but not below zero) by any payments on the Note (other than payments of qualified stated interest) and by any premium previously amortized that the U.S. Holder has taken into account. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the U.S. Holder is treated as a payment of interest. Subject to the discussion under “— *Foreign Currency Notes*” below, any gain or loss will be treated as capital gain or loss, except as provided under “— *Market Discount*” and “— *Short-Term Notes*,” above. Special rules apply in determining the tax basis of a Contingent Note and the amount realized and the character of gain or loss realized on the sale, exchange or other disposition of a Contingent Note. (See “— *Taxation of Original Issue Discount — Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked — Notes that are not Variable Rate Debt Instruments*” above.) Gains and losses derived from the sale, exchange, retirement or other disposition of a Note held for more than one year constitute long-term capital gains and losses. The excess of net long-term capital gains over net short-term capital losses is taxed at a lower rate than ordinary income for certain non-corporate taxpayers. The distinction between capital gain and loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses.

Physical Settlement of Commodity-Linked Notes and Equity-Linked Notes

If the Bank elects to satisfy its obligations with respect to a Commodity-Linked Note or an Equity-Linked Note at Maturity through delivery of the specified commodity or commodities or equity instruments of an Equity Issuer, respectively, a U.S. Holder will have a tax basis in such commodity or commodities or such equity instruments equal to the fair market value of such commodity or commodities or such equity instruments determined at the time of delivery.

Foreign Currency Notes

The following summary describes special rules that apply, in addition to the rules described above, to Notes denominated in, or that provide for payments determined by reference to, a Specified Currency other than the U.S. Dollar (“**Foreign Currency Notes**”). The treatment of a debt instrument, such as a Foreign Currency Note, that provides for interest payments that are not fixed in amount at the time that the debt instrument is issued (like the treatment of a Floating Rate Note) depends on whether the debt instrument qualifies as a variable rate debt instrument. A Foreign Currency Note qualifying as a variable rate debt instrument is subject to the rules discussed above in “— *Taxation of Interest—Floating Rate Notes*” and “— *Taxation of Original Issue Discount—Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes —Notes that are Variable Rate Debt Instruments*” in addition to the rules discussed below. Foreign Currency Notes that are Contingent Notes may be subject to the rules discussed above in “— *Taxation of Original Issue Discount—Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes — Contingent Notes*” in addition to the rules discussed below.

Interest Includible In Income Upon Receipt

An interest payment on a Foreign Currency Note made in a foreign currency that is not required to be included in income by the U.S. Holder prior to the receipt of that payment (for example, qualified stated interest received by a cash method U.S. Holder) is includible in income by the U.S. Holder based on the U.S. Dollar value of the foreign currency determined on the date the payment is received, regardless of whether the payment is in fact converted to U.S. Dollars at that time. The U.S. Holder’s basis in the foreign currency received will be such U.S. Dollar value. No exchange gain or loss will be recognized with respect to the receipt of such payment.

Interest Includible In Income Prior To Receipt

In the case of interest income on a Foreign Currency Note that is required to be included in income by the U.S. Holder prior to the receipt of payment (for example, stated interest on a Foreign Currency Note held by an accrual basis U.S. Holder or accrued OID or accrued market discount that is includible in income as it accrues), a U.S. Holder is required to include in income the U.S. Dollar value of the amount of interest income (including OID or market discount but reduced by acquisition premium and amortizable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during the relevant accrual period. OID, market discount, acquisition premium and amortizable bond premium of a Foreign Currency Note are to be determined in the relevant foreign currency. Unless the U.S. Holder makes the election discussed in the next paragraph, the U.S. Dollar value of the accrued income is determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the portion of the accrual period within the taxable year. The average rate of exchange for the accrual period (or partial period) is the simple average of the exchange rates for each business day of the period (or other method if the method is reasonably derived and consistently applied). The U.S. Holder recognizes, as ordinary gain or loss, foreign currency exchange gain or loss with respect to accrued interest income on the date such income is actually received, reflecting fluctuations in currency exchange rates between the last day of the relevant accrual period and the date of payment. The amount of gain or loss recognized equals the difference between the U.S. Dollar value of the foreign currency payment received (determined on the date such payment is received) and the U.S. Dollar value of interest income that has accrued during the accrual period (as determined above).

Under the so-called “spot rate convention election,” a U.S. Holder may, in lieu of applying the rules described in the preceding paragraph, elect to translate accrued interest income (including OID and market discount) into U.S. Dollars at the exchange rate in effect on the last day of the relevant accrual period for OID, market discount or accrued interest, or in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the taxable year. Additionally, if a payment of the income is actually received within five business days of the last day of the accrual period, an electing U.S. Holder may instead translate the income into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Such U.S. Holder will recognize ordinary income or loss with respect to accrued interest income on the date such income is actually received, equal to the difference (if any) between the U.S. Dollar value of the foreign currency payment received (determined on the date such payment is received) and the U.S. Dollar value of interest income translated at the relevant exchange rate described in the preceding sentence. Any election applies to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and is irrevocable without the consent of the IRS.

Purchase, Sale, Exchange, Retirement or Other Disposition

A U.S. Holder that converts U.S. Dollars to a foreign currency and immediately uses that currency to purchase a Foreign Currency Note denominated in the same foreign currency normally does not recognize gain or loss in connection with such conversion and purchase. However, a U.S. Holder that purchases a Foreign Currency Note with previously owned foreign currency does recognize ordinary income or loss in an amount equal to the difference, if any, between the U.S. Holder’s tax basis in the foreign currency and the U.S. Dollar market value of the Foreign Currency Note on the date of the purchase. A U.S. Holder’s tax basis in a Foreign Currency Note (and the amount of any subsequent adjustment to the U.S. Holder’s tax basis) is the U.S. Dollar value of the foreign currency amount paid for the Foreign Currency Note (or the U.S. Dollar value of the foreign currency amount of the adjustment) determined on the date of the purchase or adjustment. In the case of an adjustment resulting from accrual of OID or market discount, such adjustment is made at the rate at which the OID or market discount is translated into U.S. Dollars under the rules described above.

Gain or loss realized upon the sale, exchange, retirement or other disposition of, or the receipt of principal on, a Foreign Currency Note, to the extent attributable to fluctuations in currency exchange rates, is generally ordinary income or loss. Gain or loss attributable to fluctuations in exchange rates equals the difference between (1) the U.S. Dollar value of the foreign currency purchase price for the Note, determined on the date such Foreign Currency Note is disposed of, and (2) the U.S. Dollar value of the foreign currency purchase price for such Foreign Currency Note, determined on the date the U.S. Holder acquired such Foreign Currency Note. Any portion of the proceeds of the sale, exchange, retirement or other disposition attributable to accrued interest income may result in exchange gain or loss under the rules set forth above. The foreign currency gain or loss is recognized only to the extent of the overall gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of the Foreign Currency Note. In general, the source of such foreign currency gain or loss is determined by reference to the residence of the U.S. Holder or the “qualified business unit” of the U.S. Holder on whose books the Foreign Currency Note is properly reflected. Any gain or loss realized by a U.S. Holder in excess of the foreign currency gain or loss is capital gain or loss (except with respect to the disposition of a Contingent Note, or to the extent of any accrued market discount not previously included in the U.S. Holder’s income or, in the case of a Short-Term Note having OID, to the extent of any OID not previously included in the U.S. Holder’s income).

The tax basis of a U.S. Holder in any foreign currency received on the sale, exchange, retirement or other disposition of a Foreign Currency Note is equal to the U.S. Dollar value of the foreign currency, determined at the time of the sale, exchange, retirement or other disposition. Treasury Regulations provide a special rule for purchases and sales of publicly traded debt instruments by a cash method taxpayer under which units of foreign currency paid or received are translated into U.S. Dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss results from currency fluctuations between the trade date and the settlement of such purchase or sale. An accrual method taxpayer may elect the same treatment required of cash method taxpayers with respect to the purchase and sale of publicly traded debt instruments; *provided*, the election is applied consistently. Such election cannot be changed without the consent of the IRS. U.S. Holders should consult their tax advisors concerning the applicability to Foreign Currency Notes of the special rules summarized in this paragraph.

Market Discount and Premium

The amount of the market discount or acquisition premium that is included in (or reduces) income currently is to be determined for any accrual period in the relevant foreign currency and then translated into U.S. Dollars on the basis of the average exchange rate in effect during the accrual period or with reference to the spot rate convention election as described above. Exchange gain or loss realized with respect to the accrued market discount or acquisition premium is determined and recognized in accordance with the rules relating to accrued interest described above. The amount of accrued market discount (other than market discount that is included in income currently) taken into account upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of a Foreign Currency Note is the U.S. Dollar value of the accrued market discount, determined on the date of receipt of the partial principal payment or upon the sale, exchange, retirement or other disposition, and no portion of the accrued market discount is treated as exchange gain or loss. Exchange gain or loss with respect to amortizable bond premium is

determined by treating the portion of premium amortized with respect to any period as a return of principal. With respect to a U.S. Holder of a Foreign Currency Note that does not elect to amortize premium, the amount of premium, if any, is treated as a capital loss when the Note matures.

Dual Currency Notes and Other Foreign Currency Notes that do not Qualify as Variable Rate Debt Instruments

If so specified in an applicable Final Terms or applicable Pricing Supplement relating to a Foreign Currency Note, the Bank may have the option to make all payments of principal and interest scheduled after the exercise of such option in an Optional Payment Currency. The Bank may also issue Foreign Currency Notes that do not qualify as variable rate debt instruments under the rules described above. Applicable Treasury Regulations generally (i) apply the principles contained in the Contingent Debt Regulations to Foreign Currency Notes in the “predominant currency” of the Foreign Currency Notes and (ii) apply the rules discussed above with respect to Foreign Currency Notes with OID for the translation of interest and principal into U.S. Dollars. Persons considering the purchase of Foreign Currency Notes should carefully examine the applicable Final Terms or Pricing Supplement, and the applicable Program Supplement, if any, and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

Reportable Transactions

Pursuant to certain Treasury Regulations (the “**Disclosure Regulations**”), any taxpayer that has participated in a “reportable transaction” and who is required to file a United States federal income tax return must generally attach a disclosure statement disclosing such taxpayer’s participation in the reportable transaction to the taxpayer’s tax return for each taxable year for which the taxpayer participates in the reportable transaction. The Disclosure Regulations provide that, in addition to certain other transactions, a “loss transaction” constitutes a “reportable transaction.” A “loss transaction” is any transaction resulting in the taxpayer claiming a loss under Section 165 of the Code in an amount equal to or in excess of certain threshold amounts. For certain taxpayers, the Disclosure Regulations specifically provide that a loss resulting from a “Section 988 transaction” will constitute a Section 165 loss. In general, a Foreign Currency Note will be subject to the rules governing foreign currency exchange gain or loss. Therefore, any exchange loss realized with respect to a Foreign Currency Note will constitute a loss resulting from a Section 988 transaction. Based upon the foregoing, in the absence of future administrative pronouncements to the contrary, certain U.S. Holders of Foreign Currency Notes that recognize an exchange loss with respect to the Foreign Currency Notes in an amount that exceeds the loss threshold amount applicable to such U.S. Holder may be required to file a disclosure statement (*i.e.*, IRS Form 8886 or other applicable form) as an attachment to the U.S. Holder’s tax return for the first taxable year in which the threshold amount is reached and to any subsequent tax return that reflects any amount of such Section 165 loss realized with respect to the Foreign Currency Notes. U.S. Holders purchasing Foreign Currency Notes should consult their own tax advisors regarding the potential application of the Disclosure Regulations to their investment in such Foreign Currency Notes.

Partly Paid Notes

The tax treatment of a U.S. Holder of a Partly Paid Note will depend on the specific terms and conditions of such a Note. Persons considering the purchase of Partly Paid Notes should carefully examine the applicable Final Terms, Pricing Supplement and Program Supplement, if any, and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

United States Federal Income Tax Treatment of Notes Treated as Other Than Indebtedness for United States Federal Income Tax Purposes

The discussion in this section applies to Notes issued under the Program that will be classified for United States federal income tax purposes as other than indebtedness. Depending on their terms, such Notes may be treated as a put option and a deposit, or as an executory contract, for United States federal income tax purposes.

Certain Notes Treated as a Put Option and a Deposit

Certain Notes may be treated as consisting of a put option and a deposit for United States federal income tax purposes. The applicable Pricing Supplement will indicate whether such Notes are intended to be treated as consisting of a put option and a deposit for United States federal income tax purposes. This section describes the United States federal income tax consequences of the purchase, beneficial ownership and disposition of Notes that are intended to be treated as consisting of a put option and a deposit.

There are no regulations, published rulings or judicial decisions addressing the treatment for United States federal income tax purposes of Notes with terms that are substantially the same as such Notes described in this section. Each Note described in this section is intended to be treated as consisting of a put option (the “Put Option”) that requires the holder to purchase the equities referenced in the Note (the “Reference Shares”) for an amount equal to the principal amount of the Note if certain conditions are

satisfied, and a deposit of cash with the Bank, in an amount equal to the principal amount of the Note (the “Deposit”) to secure the U.S. Holder's potential obligation to purchase the Reference Shares. Pursuant to the terms of the Notes, each holder agrees to such treatment for all United States federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the Notes are so treated.

A portion of the stated interest payments on a Note described in this section is intended to be treated as interest or original issue discount on the Deposit, and the remainder as put premium in respect of the Put Option (the “Put Premium”). The portion of the stated interest rate on a Note described in this section that constitutes interest or OID on the Deposit and the portion that constitutes Put Premium will be specified in the applicable Pricing Supplement.

If the term of a Note described in this section is more than one year, U.S. Holders should include the portion of the stated interest payments on such Note that is treated as interest in income, as described above under “—United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes—Taxation of Interest.” If any portion of the stated interest payments on a Note described in this section is treated as OID its treatment will be as described above under “—United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes—Taxation of Original Issue Discount.”

If the term of a Note described in this section is one year or less, the Deposit should be treated as a short-term obligation as described above under “—United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes—Short-Term Notes.”

The Put Premium should not be taxable to a U.S. Holder upon its receipt. If the Put Option expires unexercised, the U.S. Holder should recognize the total Put Premium received as short-term capital gain at such time.

If the Put Option is exercised and a U.S. Holder receives Reference Shares, the U.S. Holder should not recognize any gain or loss with respect to the Put Option (other than with respect to cash received in lieu of fractional shares, as described below). In this event, the U.S. Holder should have an adjusted tax basis in all Reference Shares received (including for this purpose any fractional shares) equal to the Deposit, plus accrued but unpaid interest or discount, as applicable, on the Deposit less the total Put Premium received. The U.S. Holder's holding period for any Reference Shares received should start on the day after the delivery of the Reference Shares. The U.S. Holder should generally recognize a short-term capital gain or loss with respect to cash received in lieu of fractional shares in an amount equal to the difference between the amount of such cash received and the U.S. Holder's basis in the fractional shares, which is equal to the U.S. Holder's basis in all of the Reference Shares (including the fractional shares), times a fraction, the numerator of which is the fractional shares and the denominator of which is all of the Reference Shares (including fractional shares).

If the Bank elects to cash settle the Put Option, a U.S. Holder should generally recognize a short-term capital gain or loss equal to (i) the amount of cash received less (ii) the amount of the Deposit, plus accrued but unpaid acquisition discount or original issue discount on the Deposit, less the total Put Premium received.

Upon the exercise or cash settlement of a Put Option, a cash method U.S. Holder of a short-term obligation that does not elect to accrue acquisition discount in income currently will recognize ordinary income equal to the accrued and unpaid acquisition discount.

Upon a sale, or other taxable disposition of a Note described in this section for cash, a U.S. Holder should allocate the cash received between the Deposit and the Put Option on the basis of their respective values on the date of sale. The U.S. Holder should generally recognize gain or loss with respect to the Deposit in an amount equal to the difference between the amount of the sales proceeds allocable to the Deposit (less accrued and unpaid “qualified stated interest” or accrued acquisition discount that the U.S. Holder has not included in income, which will be treated as ordinary interest income) and the U.S. Holder's adjusted tax basis in the Deposit (which will generally equal the initial purchase price of the note increased by any accrued acquisition discount or OID previously included in income on the Deposit and decreased by the amount of any payment (other than an interest payment that is treated as qualified stated interest) received on the Deposit). Such gain or loss should be capital gain or loss and should be long-term capital gain or loss if the U.S. Holder has held the Deposit for more than one year at the time of such disposition. The ability of U.S. Holders to use capital losses to offset ordinary income is limited. If the Put Option has a positive value on the date of a sale of a Note, the U.S. holder should recognize short-term capital gain equal to the portion of the sale proceeds allocable to the Put Option plus any previously received Put Premium. If the Put Option has a negative value on the date of sale, the U.S. Holder should be treated as having paid the buyer an amount equal to the negative value in order to assume the U.S. Holder's rights and obligations under the Put Option. In such a case, the U.S. Holder should recognize a short-term capital gain or loss in an amount equal to the difference between the total Put Premium previously received and the amount of the payment deemed made by the U.S. Holder with respect to the assumption of the Put Option. The amount of the deemed payment will be added to the sales price allocated to the Deposit in

determining the gain or loss in respect of the Deposit. The ability of U.S. Holders to use capital losses to offset ordinary income is limited.

U.S. Holders should consult the offering documents for the Reference Shares for the United States federal income tax treatment of acquiring, owning and selling the Reference Shares.

Although the Bank intends to treat each Note described in this section as a Deposit and a Put Option, there are no regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the Notes described in this section, and therefore the Notes could be subject to some other characterization or treatment for United States federal income tax purposes. For example, the notes could be treated as contingent payment debt instruments for United States federal income tax purposes. In this case, in general, U.S. Holders should be treated as described above under “—United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes—Taxation of Original Issue Discount—Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes—Contingent Notes.”

Other characterizations and treatments of Notes described in this section are possible. Prospective investors in the Notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing Notes described in this section, including any alternative characterizations and treatments.

Certain Notes Treated as Executory Contracts

The Bank may treat certain Notes as an executory contract for United States federal income tax purposes. The applicable Pricing Supplement will indicate whether a Note is intended to be treated as an executory contract for United States federal income tax purposes. This section describes the principal United States federal income tax consequences of the purchase, beneficial ownership and disposition of a Note that is intended to be treated as an executory contract.

There are no regulations, published rulings or judicial decisions addressing the treatment for United States federal income tax purposes of Notes with terms that are substantially the same as those described in this section. Accordingly, the proper United States federal income tax treatment of the Notes described in this section is uncertain. Under one approach, the Notes would be treated as pre-paid cash-settled executory contracts with respect to the reference index or asset. The Bank intends to treat each Note described in this section consistent with this approach, and pursuant to the terms of such Notes, each holder agrees to such treatment for all United States federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the Notes described in this section are so treated.

Unless otherwise indicated in the applicable Pricing Supplement, if a Note that is treated as an executory contract provides for current interest payments, the Bank intends to treat that interest as ordinary income at the time it accrues or is received in accordance with the U.S. Holder's normal method of accounting for tax purposes.

A U.S. Holder's tax basis in a note described in this section generally will equal the U.S. Holder's cost for the Note. Upon receipt of cash upon maturity or redemption and upon the sale, exchange, retirement or other disposition of the Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized at maturity or on the redemption, sale, exchange, retirement or other disposition and the U.S. Holder's tax basis in such Note. Any such gain upon the maturity, redemption, sale, exchange, retirement or other disposition of the Note generally will constitute capital gain. Capital gain of non-corporate taxpayers from the maturity, redemption, sale, exchange, retirement or other disposition of a Note not treated as indebtedness for United States federal income tax purposes held for more than one year may be eligible for reduced rates of taxation. Any loss from the maturity, redemption, sale, exchange, retirement or other disposition of a Note not treated as indebtedness for United States federal income tax purposes will generally constitute a capital loss. The ability of U.S. Holders to use capital losses to offset ordinary income is limited.

Although the Bank intends to treat each Notes described in this section as a pre-paid cash-settled executory contract as described above, there are no regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the Notes described in this section, and therefore the Notes could be subject to some other characterization or treatment for United States federal income tax purposes. For example, the Notes could be treated as “contingent payment debt instruments” for United States federal income tax purposes. In this case, in general, U.S. Holders should be treated as described above under “—United States Federal Income Tax Treatment of Notes Treated as Indebtedness for United States Federal Income Tax Purposes—Taxation of Original Issue Discount—Taxation of OID on Floating Rate Notes, Indexed Notes, Commodity-Linked Notes and Equity-Linked Notes—Contingent Notes.”

In addition, certain proposed Treasury Regulations require the accrual of income on a current basis for contingent payments made under certain “notional principal contracts.” The preamble to the proposed regulations states that the “wait and see” method of

accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to pre-paid forward contracts, the preamble to the proposed regulations indicates that similar timing issues exist in the case of pre-paid forward contracts. If the IRS or the United States Treasury Department publishes future guidance requiring current economic accrual for contingent payments on pre-paid forward contracts, it is possible that a U.S. Holder could be required to accrue income over the term of the Notes described in this section.

It is possible that the Notes could be treated as representing an ownership interest in the Reference Asset for United States federal income tax purposes, in which case a U.S. Holder's federal income tax treatment could be different than described above.

If a Reference Asset, or one or more of the entities included in, or owned by, a Reference Asset, as the case may be, are treated as a "real estate investment trust" ("REIT"), partnership, trust, or "passive foreign investment company" ("PFIC") for United States federal income tax purposes, or otherwise as a "pass-thru entity" for purposes of section 1260 of the Code, it is possible that U.S. Holders will be subject to the "constructive ownership" rules of section 1260 of the Code. Moreover, section 1260 of the Code authorizes the Treasury Department to promulgate regulations (possible with retroactive effect) to expand the application of the section 1260 of the Code. If section 1260 applies to a Note, the portion of any gain recognized on the sale, exchange, maturity, or other taxable disposition of the Note that would be treated as long-term capital gain and relates to a pass-through entity (or if section 1260 is expanded by regulations, to such other entity) could be treated as ordinary income and subject to an interest charge. It is possible that these rules could apply, for example, to recharacterize long-term capital gain on the Notes to the extent that a U.S. Holder's return reflects dividend income or the U.S. Holder would have recognized short-term capital gain (rather than long-term capital gain) had the holder owned the Reference Asset or the constituents of the Reference Asset by reason of, for example, a rebalancing of the Reference Asset. Finally, other alternative federal income tax characterizations or treatments of the Notes described in this section are possible, and if applied could also affect the timing and the character of the income or loss with respect to the Notes.

In addition, 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 PFIC, as defined for United States 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 United States federal income tax consequences might apply. You should refer to information filed with the Commission and other authorities by a Reference Asset or 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.

If a Reference Asset, or one or more components of a Reference Asset, is a "section 1256 contract" as defined in section 1256(b) of the Code, it is possible that the IRS could assert that section 1256 of the Code should apply to the Notes or a portion of the Notes. If section 1256 were to apply to the Notes, gain or loss recognized with respect to the Notes (or the relevant portion of the Notes) would be treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss, without regard to the U.S. Holder's holding period in the Notes. The U.S. Holder would also be required to mark the Notes (or a portion of the Notes) to market at the end of each year (i.e., recognize income as if the Notes or relevant portion of Notes had been sold for fair market value). Alternatively, it is also possible that a U.S. Holder could be required to recognize gain or loss each time a Reference Asset or any component of a Reference Asset rolls and/or when the composition or weighting of a Reference Asset or any component of a Reference Asset changes. Such gain or loss may also be subject to section 1256 as discussed above, under which 60% of the gain or loss would be treated as long-term capital gain or loss and 40% would be treated as short-term capital gain or loss.

Finally, if a Reference Asset, or one or more components of a Reference Asset, is a "collectible" as defined in section 408(m) of the Code, it is possible that the IRS could assert that the Notes (or a portion of the Notes) should be treated as giving rise to "collectibles" gain or loss if the U.S. Holder has held the Notes for more than one year, although the Bank does not think such a treatment would be appropriate because a sale or exchange of the Notes is not a sale or exchange of a collectible but is rather a sale or exchange of a pre-paid executory contract that reflects the value of a collectible. "Collectibles" gain is currently subject to tax at marginal rates of up to 28%.

Prospective investors in the Notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing the Notes, including any alternative characterizations and treatments.

Additional Medicare Tax on Unearned Income

For taxable years beginning after December 31, 2012, certain U.S. Holders, including individuals, estate, and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual U.S. Holders, the additional Medicare tax applies to the lesser of (i) "net investment income" or (ii) the excess of "modified adjusted gross income" over \$200,000 (\$250,000 if married and filing jointly, or \$125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive

income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Holders are urged to consult with their own tax advisors regarding the implications of the additional Medicare tax resulting from an investment in the Notes.

Non-U.S. Holders

Subject to the discussion of effectively connected income, information reporting and backup withholding and the Foreign Account Tax Compliance Act below, payments of principal and interest (including OID) with respect to a Note (treated as indebtedness for United States federal income tax purposes) by the Bank or any paying agent to a Non-U.S. Holder are not subject to the withholding of United States federal income tax; *provided*, in the case of interest (including OID), that (i) the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of the Bank's stock entitled to vote, is not a "controlled foreign corporation" for United States federal income tax purposes related, directly or indirectly, to the Bank through stock ownership, and is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; (ii) the payments are not payments of contingent interest (generally, interest (including OID), the amount of which is determined by reference to receipts, sales, cash flow, income, profits, property values, dividends or comparable attributes of the Bank or a party related to the Bank); and (iii) in the case of Notes in registered form, the statement requirement set forth in Section 871(h) or Section 881(c) of the Code has been fulfilled with respect to the Non-U.S. Holder, as discussed in the following paragraph. Interest, including any OID, may be subject to a 30% withholding tax (or less under an applicable treaty, if any) to the extent that the payments do not meet the requirements set forth above.

The statement requirement set forth in Section 871(h) or 881(c) of the Code is satisfied if either (1) the beneficial owner of the Note certifies, under penalties of perjury, to the last United States payor (or non-United States payor who is an authorized foreign agent of the United States payor, a qualified intermediary, a United States branch of a foreign bank or foreign insurance company, a withholding foreign partnership or a withholding foreign trust) in the chain of payment (the "**withholding agent**") that such owner is a Non-U.S. Holder and provides other required certifications and such owner's name and address or (2) a securities clearing organization, a bank or another financial institution that holds customers' securities in the ordinary course of its trade or business (a "**financial institution**") that holds the Note certifies to the withholding agent, under penalties of perjury, that the certificate has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the withholding agent with a copy thereof. The beneficial owner's certified statement must be made on an IRS Form W-8BEN, W-8ECI or W-8EXP, or substantially similar form, each of which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, an IRS Form W-8BEN or an IRS Form W-8EXP with a United States taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect; *provided*, that the withholding agent reports at least one payment annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the withholding agent (or financial institution) within 30 days of any change in circumstances that makes any information on the form incorrect by furnishing a new IRS Form W-8BEN, W-8ECI or W-8EXP, or substantially similar form (and the financial institution must promptly so inform the withholding agent). A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for United States federal income tax purposes) holding Notes on its own behalf may have substantially increased reporting requirements. In particular, in the case of Notes held by a non-withholding foreign partnership (or non-withholding foreign trust), the partners (or grantors or beneficiaries), rather than the partnership (or trust), are required to provide the certifications discussed above, and the partnership (or trust) is required to provide, in general, an IRS Form W-8IMY and certain additional information. If a Note in registered form is held through a non-U.S. securities clearing organization or a non-U.S. financial institution (other than a United States branch or office of such organization or institution) or a non-U.S. branch or office of a United States financial institution or United States clearing organization, the organization or institution must provide a signed statement on an IRS Form W-8IMY to the withholding agent. However, in such case, unless the organization or institution is a qualified intermediary, a withholding foreign partnership or withholding foreign trust, the signed statement must be accompanied by a copy of the IRS Form W-8BEN, W-8ECI, W-8EXP or W-9 or the substantially similar form provided by the beneficial owner (or IRS Form W-8IMY provided by another intermediary along with the beneficial owner's forms) to the organization or institution and such other information that is required by the IRS Form W-8IMY and Treasury Regulations, and such information must be updated as required. If the institution or organization is a qualified intermediary, withholding foreign partnership or withholding foreign trust that has entered into a qualified intermediary or similar agreement with the IRS, it must provide the withholding agent or other intermediary such additional information as is required by the agreement, IRS Form W-8IMY and Treasury Regulations.

If a Non-U.S. Holder of a Note is engaged in a trade or business in the United States and if payments (including OID) on the Note are effectively connected with the conduct of that trade or business, the Non-U.S. Holder, although exempt from the withholding of tax discussed in the preceding paragraphs, will generally be subject to regular United States federal income tax on premium (if any), interest and/or any gain realized on the disposition of the Note in the same manner as if it were a U.S. Holder. The Non-U.S. Holder will be required to provide to the withholding agent an appropriate form (generally IRS Form W-8ECI), executed under penalties of perjury, in order to claim an exemption from withholding tax. In addition, if the Non-U.S. Holder is a foreign corporation,

it may be subject to a branch profits tax equal to 30% (or the lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Notwithstanding the foregoing, because the United States federal income tax treatment (including the applicability of withholding) of stated periodic interest payments on Notes that are not treated as indebtedness for United States federal income tax purposes is uncertain, the Bank will withhold United States federal income tax at a 30% rate (or at a lower rate under an applicable income tax treaty) on the entire amount of stated periodic interest payments made. The Bank will not pay any additional amounts in respect of such withholding.

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% United States withholding tax if paid to a Non-U.S. Holder. Under proposed Treasury Regulations, certain payments that are contingent upon or determined by reference to United States source dividends, including payments reflecting adjustments for extraordinary dividends, with respect to equity-linked instruments, including the notes, may be treated as dividend equivalents. If enacted in their current form, the regulations will impose a withholding tax on payments made on the Notes on or after January 1, 2014 that are treated as dividend equivalents. In that case, the Bank (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. Further, Non-U.S. Holders may be required to provide certifications prior to, or upon the sale, redemption or maturity of the notes in order to minimize or avoid United States withholding taxes.

Generally, any gain or income (other than that attributable to accrued interest (including OID), which is taxable in the manner described above) realized by a Non-U.S. Holder on the disposition of a Note is not subject to United States federal income tax unless (i) such gain or income is effectively connected with a United States trade or business of the Non-U.S. Holder; or (ii) in the case of a Non-U.S. Holder who is an individual, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and either (1) the individual has a “tax home” (as defined in Section 911(d)(3) of the Code) in the United States or (2) the gain is attributable to an office or other fixed place of business maintained by the individual in the United States.

Withholding of United States federal income tax with respect to accrued OID may apply to payments on a redemption (or certain other sales or dispositions) of a Note by a Non-U.S. Holder that does not provide appropriate certification to the withholding agent. Non-U.S. Holders that receive Reference Shares (as described above under “—United States Federal Income Tax Treatment of Notes Treated as Other Than Indebtedness for United States Federal Income Tax Purposes—Certain Notes Treated as a Put Option and a Deposit”) should consult the offering documents for the Reference Shares for the United States federal income tax treatment of acquiring, owning and selling the Reference Shares.

It is possible that Notes linked to a Reference Asset could be treated as representing an ownership interest in the Reference Asset for United States federal income tax purposes, in which case a Non-U.S. Holder's United States federal income tax treatment could be different than described above.

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 United States real property holding corporation (“USRPHC”), as defined for United States 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 United States federal income tax consequences might apply. Prospective investors should refer to information filed with the Commission and other authorities by a Reference Asset or entities whose stock is included in, or owned by, a Reference Asset, as the case may be, and consult their tax advisor regarding the possible consequences 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 USRPHC.

Notice 2008-2

In Notice 2008-2, the IRS and the United States Treasury Department requested comments as to whether the purchaser of an exchange traded note or pre-paid forward contract (which may include a Note that the Bank intends (and the holder agrees) to treat as an executory contract, or as a put and a deposit, for United States federal income tax purposes) should be required to accrue income during its term under a mark-to-market, accrual or other methodology, whether income and gain on such a Note or contract should be ordinary or capital, and whether foreign holders should be subject to withholding tax on any deemed income accrual. Accordingly, it is possible that regulations or other guidance could provide that a U.S. Holder of such a Note is required to accrue income in respect of the Note prior to the receipt of payments under the Note or its earlier sale. Moreover, it is possible that any such regulations or other guidance could treat all income and gain of a U.S. Holder in respect of a Note as ordinary income (including gain on a sale). Finally, it is possible that a Non-U.S. Holder of the Note could be subject to United States withholding tax in respect of a note. It is unclear whether any regulations or other guidance would apply to the Notes (possibly on a retroactive basis). Prospective investors are urged to consult with their tax advisors regarding Notice 2008-2 and the possible effect to them of the issuance of regulations or other guidance that affects the United States federal income tax treatment of the Notes.

Information Reporting and Backup Withholding

U.S. Holders

In general, information reporting requirements will apply to payments of principal, interest, OID and premium paid on Notes and to the proceeds of sale of a Note paid to U.S. Holders other than certain exempt recipients (such as corporations). Backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number and required certifications (generally on IRS Form W-9) or certification of foreign or other exempt status or if the withholding agent is notified by the IRS that the U.S. Holder failed to report in full dividend and interest income.

Any amounts withheld under backup withholding rules will be allowed as a refund or credit against such U.S. Holder's United States federal income tax liability; *provided*, the required information is furnished to the IRS in a timely manner.

Non-U.S. Holders

Information reporting will generally apply to payments of interest (including OID) and the amount of tax, if any, withheld with respect to such payments to Non-U.S. Holders of Notes in registered form. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In the case of Notes in registered form, backup withholding generally will not be required if the statement requirement set forth in Section 871(h) or Section 881(c) of the Code has been fulfilled with respect to the Non-U.S. Holder, as discussed above.

In addition, except as otherwise set forth in this discussion (and *provided* that the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person), backup withholding and information reporting will not apply to the amount payable (whether in respect of principal, interest, OID, premium or otherwise) in respect of a Note in registered form paid or collected by a foreign office of a foreign custodian, foreign nominee or other foreign agent on behalf of the beneficial owner of such Note, or to the payment outside the United States of the proceeds of a sale (including a redemption) of a Note in registered form through a foreign office of a foreign "broker" (as defined in applicable Treasury Regulations). If, however, such nominee, custodian, agent or broker is, for United States federal income tax purposes, a United States person, a controlled foreign corporation, a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a United States trade or business or a foreign partnership, in which one or more United States persons, in the aggregate, own more than 50% of the income or capital interests in the partnership or which is engaged in a trade or business in the United States, then such payments will not be subject to backup withholding, but will be subject to information reporting unless such custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Payments on a Note in registered form to the beneficial owner thereof by a United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of sale (including a redemption) of a Note in registered form, will be subject to both backup withholding and information reporting unless the beneficial owner certifies as to its non-U.S. status under penalties of perjury, and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person, or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against such Non- U.S. Holder's United States federal income tax liability; *provided*, the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") will impose a 30% withholding tax on certain United States 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 United States source interest or dividends ("Withholdable Payments"), including the Notes, if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of the holder), unless such institution enters into an agreement with the United States Treasury Department to collect and provide to the United States Treasury Department certain information regarding United States financial account holders, including certain account holders that are foreign entities with United States owners, with such institution, or otherwise complies with FATCA. FATCA also generally imposes a 30% withholding tax 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 United States owners or a certification identifying the direct and indirect substantial United States owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

These withholding and reporting requirements will generally apply to United States source periodic payments made after June 30, 2014 and to payments of gross proceeds from a sale or redemption made after December 31, 2016. However, this withholding tax will not be imposed on payments pursuant to obligations outstanding on July 1, 2014. Holders are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Notes.

No additional amounts will be payable on account of any withholding obligation that is imposed with respect to payments on the Notes as a result of the failure of any holder or beneficial owner of a Note, or any intermediary through which it directly or indirectly owns such Note, to comply with the requirements of FATCA. Prospective investors should consult their tax advisors regarding the possible implications of FATCA on their investment in the Notes.

EUROPEAN UNION SAVINGS DIRECTIVE

Under the European Union Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each member state of the European Union (a “**Member State**”) is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain agreements relating to information exchange with other countries). A number of non-European Union countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

PLAN OF DISTRIBUTION

The Notes are being offered on a continuing basis for sale by the Bank through HSBC Securities (USA) Inc., as U.S. Dealer, and HSBC Bank plc, as International Dealer (collectively, the “**Dealers**”). The Dealers will purchase Notes issued pursuant to Part 16.6 of the OCC’s securities offering Regulations (12 C.F.R. Part 16.6) or in reliance on Regulation S (as that Regulation is incorporated in to the OCC’s securities offering regulations by 12 C.F.R. Part 16.5(g)), as principal, from the Bank, for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Dealer, or, if so specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, for resale at a fixed public offering price. Unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, any Note sold to a Dealer as principal will be purchased by such Dealer at a price equal to 100% of the principal amount thereof less a percentage of the principal amount to be set forth in such Final Terms or Pricing Supplement. If agreed to by the Bank and the applicable Dealer, such Dealer may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any. With respect to Notes sold through a Dealer on an agency basis, the Bank will pay a commission to such Dealer to be set forth in the applicable Final Terms or Pricing Supplement. Notes issued in accordance with Regulation D under the Securities Act (as that Regulation is incorporated into the OCC’s securities offering regulations by 12 C.F.R. Part 16.7) (as used in this Plan of Distribution section, “**Regulation D Notes**”) will be sold to institutional accredited investors through the Dealers on an agency basis. The Dealers have entered into a Third Amended and Restated Distribution Agreement with the Bank dated September 27, 2013 (as amended, modified or supplemented from time to time, the “**Distribution Agreement**”).

A Dealer may sell Notes it has purchased from the Bank as principal to other dealers for resale to investors, and may allow any portion of the discount received in connection with such purchases from the Bank to such dealers. After the initial public offering of Notes, the public offering price (in the case of Notes to be resold on a fixed public offering price basis), the concession and the discount may be changed.

The Bank has reserved the right to sell Notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so. The Bank will have the sole right to accept offers to purchase Notes and may reject any such offer in whole or in part.

The Bank reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part whether placed directly with the Bank or through one of the Dealers. The Dealers will have the right, in their discretion, to reject in whole or in part any offer to purchase Notes received by them on an agency basis.

Each of the Dealers may from time to time purchase and sell Notes in the secondary market, but no Dealer is obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, each of the Dealers may make a market in the Notes, but no Dealer is obligated to do so and may discontinue any market-making activity at any time.

The Bank has agreed to indemnify the Dealers against, and to provide contribution with respect to certain liabilities, including liabilities under the U.S. federal securities laws. The Bank has agreed to reimburse the Dealers for certain other reasonable expenses.

In connection with the offer and sale of the Notes (other than Regulation D Notes), the Dealers may engage in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which creates a short position for the Dealers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Such stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of such transactions. Such activities, if commenced, may be discontinued at any time.

HSBC Securities (USA) Inc., or other affiliates of the Bank, may use this Offering Circular in connection with offers and sales related to market-making activities. HSBC Securities (USA) Inc. may act as principal or agent in any such transactions. Such sales will be made at negotiated prices related to prevailing market prices at the time of sale.

Certain of the Dealers and their affiliates may be customers of, including borrowers from, engage in transactions with, and perform services for, the Bank, HSBC USA and their affiliates in the ordinary course of business.

Conflicts of Interest

HSBC Securities (USA) Inc., an affiliate of the Bank, is acting as an arranger and a Dealer with respect to the Program. Each offering of the Notes will be conducted in compliance with any applicable requirements of FINRA Rule 5121.

SELLING RESTRICTIONS

General

Unless otherwise stated in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, no action has been taken by the Company that would permit an offer to the public of the Notes or possession or distribution of this Offering Circular or any other offering material in any jurisdiction where action for that purpose is required. Accordingly, each Dealer has agreed and each further Dealer appointed under the Program and each other Purchaser will be required to agree that it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Company shall have no responsibility therefor. With regard to each Series, the relevant Purchaser will be required to comply with such other additional restrictions as the Company and the relevant Purchaser shall agree and as shall be set out in the applicable Final Terms or applicable Pricing Supplement.

United States

The Notes have not been, and are not required to be, registered with the Commission under the Securities Act. The Notes are exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(2) of the Securities Act and, unless otherwise specified in the applicable Final Terms, Pricing Supplement or Program Supplement, if any, are being offered and sold only (i) pursuant to the abbreviated securities registration procedure of the OCC set forth in Part 16.6 of the OCC's securities offering regulations (12 C.F.R. Part 16.6) to accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act ("accredited investors"), and each beneficial owner of a global note will be required to hold such beneficial interest in a principal amount of U.S.\$250,000 (or the equivalent thereof in other currencies), (ii) to accredited investors in accordance with Regulation D under the Securities Act (as such Regulation is incorporated by reference into the OCC's securities offering regulations by 12 C.F.R. 16.7) or (iii) outside the United States in compliance with Regulation S under the Securities Act (as such regulation is incorporated into the OCC's securities offering regulations by 12 C.F.R. 16.5(g)). Unless otherwise provided in the applicable Final Terms or Pricing Supplement, Notes offered as described in clauses (i) or (ii) of the preceding sentence will be offered to institutional investors that are accredited investors, within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act ("institutional accredited investors"). With respect to Notes being offered and sold pursuant to (i) above, the OCC's securities offering regulations (12 C.F.R. Section 16.6) provide that a national bank meeting certain requirements that issues nonconvertible debt securities such as the Notes may offer and sell such securities pursuant to an abbreviated registration system provided for in the securities offering regulations if, among other things, such securities are offered and sold only to accredited investors in minimum denominations of U.S.\$250,000. With respect to Notes being offered and sold pursuant to such abbreviated registration system or, in the case of Notes offered and sold pursuant to (ii) above, or Notes with maturities of 270 days or less, in each case pursuant to an exemption from the OCC's registration requirements, each Dealer has agreed, and each other dealer will be required to agree, with the Bank that such Notes will be offered and sold by the Dealers in any initial offering hereunder only to accredited investors. Each purchaser of Notes offered and sold pursuant to (i) above, in making its purchase, will be deemed to have represented and agreed with the Bank that it is an accredited investor or an institutional accredited investor, as applicable, that it is purchasing such Notes for its own account or the account of one or more other accredited investors or institutional accredited investors, as applicable, and that it, or each of such other accredited investors or institutional accredited investors, as applicable, owning a beneficial interest in such Notes, will hold a beneficial interest therein in a principal amount of not less than U.S.\$250,000 (or the equivalent thereof in other currencies) at all times. Each purchaser of Notes being offered and sold pursuant to clause (ii) above, in making its purchase, will be deemed to have represented and agreed with the Bank that it is an accredited investor or an institutional accredited investor, as applicable, and that it is purchasing such Notes for its own account or the account of one or more other accredited investors or institutional accredited investors, as applicable. Each purchaser of Notes being sold pursuant to Regulation S, in making its purchase, will be deemed to have represented and agreed with the Bank that it is a non-U.S. person (as defined in Regulation S) and is acting in reliance upon Regulation S under the Securities Act.

The Bank and each Dealer have agreed, and each other dealer will be required to agree with the Bank, that, except as permitted by the Distribution Agreement, such Dealer or dealer will offer or sell Notes of any Series issued in reliance on Regulation S (as such Regulation is incorporated into the OCC's securities offering regulations by 12 C.F.R. Part 16.5(g)) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes of such Series, as determined and certified to the Global Agent or the Bank by each Dealer as to Notes purchased by or through it, in which case the Global Agent or the Bank shall notify such Dealer when all Dealers have so certified, only in accordance with Rule 903 of

Regulation S under the Securities Act (as such Regulation is incorporated into the OCC's securities offering regulations by 12 C.F.R. Part 16.5(g)). Accordingly, none of the Bank, the Dealers, their affiliates (if any) or any person acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and the Bank, the Dealers, their affiliates (if any) and any person acting on their behalf have complied and will comply with the offering restrictions requirements of Regulation S (as they are incorporated into the OCC's securities offering regulations by 12 C.F.R. Part 16.5(g)). The Bank and each Dealer agree that, at or prior to confirmation of sale of Notes of any such Series, such Dealer will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes of such Series from it or through it during the restricted period a confirmation or notice substantially to the following effect:

“The Notes covered hereby have not been registered under the Securities Act. In addition, the Notes covered hereby have not been registered under the OCC's regulations relating to securities offerings by national banks (12 C.F.R. Part 16) and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Tranche represented by the Notes as determined and certified by the Dealers, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S, as such Regulation is incorporated into the OCC's securities offering regulations by 12 C.F.R. Part 16.5(g).”

In addition, until 40 days after the commencement of the offering of any Series of such Notes, an offer or sale of such Series within the United States by a dealer that is not participating in the offering may violate the OCC's securities offering regulations.

Canada

Any offering of Notes in Canada will be made solely by this Offering Circular and any applicable Final Terms, Pricing Supplement or Program Supplement and any decision to purchase Notes should be based solely on information contained in or incorporated by reference into these documents. No person has been authorized to give any information or to make any representations concerning any offering other than those contained in or incorporated by reference into these documents. These documents together constitute an offering in Canada of Notes described in the relevant Final Terms, Pricing Supplement and/or Program Supplement, if any, only in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec (the “**Private Placement Provinces**”).

Responsibility

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by any dealer as to the accuracy or completeness of the information contained in this Offering Circular or any applicable Final Terms, Pricing Supplement or Program Supplement, if any, or any other information provided by the Bank in connection with any offering of Notes in Canada.

Resale Restrictions

The distribution of Notes in Canada is being made on a private placement basis only and is exempt from the requirement that the Bank prepares and files a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Notes must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with prospectus and dealer registration requirements or exemptions from the prospectus and dealer registration requirements. These resale restrictions may in some circumstances apply to resales of the Notes outside of Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes.

The Bank is not a “reporting Bank,” as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Canadian investors are advised that the Bank is not required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Notes to the public in any province or territory of Canada. Canadian investors are further advised that the Bank currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of Notes offered to the public in any province or territory of Canada in connection with this offering.

Representations of Canadian Purchasers

Each purchaser of Notes in Canada will be deemed to have represented to the Bank and any Dealer who sells Notes to such purchaser that: (a) the offer and sale of Notes was made exclusively through the final version of the Offering Circular and any applicable Final Terms, Pricing Supplement or Program Supplement, if any, and was not made through an advertisement of Notes in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any

other form of advertising in Canada; (b) such purchaser has reviewed and acknowledges the terms referred to above under “—*Resale Restrictions*”, and agrees that Notes purchased under this Offering Circular are subject to resale restrictions under applicable securities laws; (c) where required by law, such purchaser is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable securities laws of the province in which such purchaser is resident, for its own account and not as agent for the benefit of another person; and (d) such purchaser, or any ultimate purchaser for which such purchaser is acting as agent, is entitled under applicable Canadian securities laws to purchase such Notes without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing: (i) is an “accredited investor” as defined in section 1.1 of NI 45-106, and is purchasing the Notes from a dealer registered as an “investment dealer” or “exempt market dealer” as defined under applicable securities laws or (ii) is a “permitted client” as defined in section 1.1 of NI 31-103, and is purchasing the Notes from a dealer relying upon the “international dealer exemption” from the dealer registration requirement under applicable securities laws; (e) such purchaser is not a person created or used solely to purchase or hold the Notes as an “accredited investor” described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106; and (f) such purchase is aware of and in compliance with all securities laws applicable to such purchase in connection with the purchase of Notes.

In addition, each resident of Ontario who purchases Notes will be deemed to have represented to the Bank, and each dealer from whom a purchase confirmation was received, that such purchaser: (a) has been notified by the Bank (i) that the Bank may be required to provide certain personal (“**personal information**”) pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any Notes purchased), which Form 45-106F1 may be required to be filed by the Bank under NI 45-106; (ii) that such personal information may be delivered to the Ontario Securities Commission (the “**OSC**”) in accordance with NI 45-106; (iii) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) that the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the purchaser acknowledges that its name, address, telephone number and other specified information, including the number of Notes it has purchased and the aggregate purchase price paid by the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing Notes, the purchaser consents to the disclosure of such information.

Certain Relationships and Related Transactions

The Bank and certain of the Dealers who may effect sales of Notes in Canada are indirect subsidiaries of HSBC Holdings plc. By virtue of such common ownership, the Bank is a “*related Bank*” and may be a “*connected Bank*” for the purposes of Canadian securities legislation. This relationship and other related matters are set forth in greater detail in this Offering Circular and any applicable Final Terms, Pricing Supplement and Program Supplement, if any. See “*HSBC Bank USA, National Association and HSBC USA Inc.*,” “*Use of Proceeds*” and “*Plan of Distribution*” in this Offering Circular and the description of the use of proceeds and underwriting arrangements in any applicable Final Terms, Pricing Supplement or Program Supplement, if any. Any decision of HSBC Securities (Canada) Inc. to act as Dealer in respect of Notes offered will be made independently of its affiliates.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this Offering Circular and any applicable Final Terms, Pricing Supplement or Program Supplement, if any, does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes and, in particular, does not address Canadian tax considerations. Canadian investors should consult with their own legal and tax advisers with respect to the tax consequences of an investment in Notes in their particular circumstances and with respect to the eligibility of the Notes for investment by such investor under relevant Canadian and any other applicable legislation and regulations. Canadian investors should likewise consult with their own legal and tax advisers concerning the foreign income tax consequence of an investment in Notes, if any.

Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum (such as this Offering Circular) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a “*Misrepresentation*”. Where used herein, “*Misrepresentation*” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Ontario Purchasers

Under Ontario securities legislation, certain purchasers who purchase Notes offered under this Offering Circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the Notes, for rescission against the Bank or any selling security holder if this Offering Circular contains a Misrepresentation without regard to whether the purchasers relied on the Misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date of the transaction giving rise to the cause of action. The right of action for rescission is exercisable not later than 180 days after the date of the transaction that gave rise to the cause of action. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Bank or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the Notes with knowledge of the Misrepresentation, the Bank and any selling security holder will have no liability. In the case of an action for damages, the Bank and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the Misrepresentation relied upon.

Saskatchewan Purchasers

Under Saskatchewan securities legislation, certain purchasers who purchase Notes offered under this Offering Circular during the period of distribution will have a statutory right of action for damages against the Bank, every director and promoter of the Bank or any selling security holder as of the date hereof, every person or company whose consent has been filed under this Offering Circular, but only with respect to reports, opinions or statements that have been made by them, and every person or company who sells the Notes on behalf of the Bank or selling security holder under this Offering Circular or while still the owner of the Notes, for rescission against the Bank or selling security holder if this Offering Circular contains a Misrepresentation without regard to whether the purchasers relied on the Misrepresentation. The right of action for damages is exercisable not later than the earlier of one year from the date the plaintiff first had knowledge of the facts giving rise to the cause of action and six years from the date giving rise to the cause of action. The right of action for rescission is exercisable not later than 180 days from the date of the transaction giving rise to the cause of action. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Bank or the others listed above. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the Notes with knowledge of the Misrepresentation, the Bank and the others listed above will have no liability. In the case of an action for damages, the Bank and the others listed above will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the Misrepresentation relied upon. A purchaser who receives an amended Offering Circular has the right to withdraw from the agreement to purchase the Notes by delivering a notice to the Bank or selling security holder within two business days of receiving the amended Offering Circular.

Manitoba Purchasers

Under Manitoba securities legislation, certain purchasers who purchase Notes offered under this Offering Circular are provided with a statutory right of action for damages or rescission in circumstances where this Offering Circular or an amendment thereto contains a Misrepresentation, which rights are similar, but not identical, to the rights available to Ontario purchasers.

The foregoing summary is subject to the express provisions of the securities act of Ontario, Saskatchewan and Manitoba respectively, and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defenses on which the Bank if any, may rely. The enforceability of these rights may be limited as described below under "Enforcement of Legal Rights". The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

Enforcement of Legal Rights

All or substantially all of the Bank's directors and officers, and the experts named herein, are or may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Bank or such persons. All or a substantial portion of the assets of the Bank and such other persons are or may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Bank or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Bank or persons outside of Canada.

Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of any Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par*

les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the Company or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that:

- (a) in relation to Notes with a maturity of less than one year, it is a person whose ordinary activities involve it in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - i. whose ordinary activities involve them in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - ii. who it is reasonable to expect will acquire, hold, manage, or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Bank;

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian Securities legislation. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly and copies of this Offering Circular or any other document relating to the Notes may not be distributed in the Republic of Italy unless such offer, sale or delivery of Notes or distribution of copies of this Offering Circular or other documents relating to the Notes in the Republic of Italy is:

(a) made only to “qualified investors” (*investitori qualificati*), as defined pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “Regulation on Issuers”); or

(b) in other circumstances which are exempt from the rules on public offers pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Italian Securities Act”) and its implementing CONSOB regulations, including the Regulation on Issuers.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and:

(i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Securities Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Securities Act, CONSOB Regulation 16190 of October 29, 2007, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Act”) and any other applicable laws and regulations; and

(ii) in compliance with any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy or any other Italian regulatory authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes it purchased occurs in compliance with applicable laws and regulations.

Please note that in accordance with Article 100-bis of the Italian Securities Act, the subsequent resale on the secondary market in the Republic of Italy of the Notes (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Italian Securities Act and the Regulation on Issuers unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damage suffered by the investors.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (as amended, the “FIEL”). The Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan or Japanese corporation, except in accordance with the provisions of, or pursuant to an exemption in accordance with the provisions of, or pursuant to an exemption available under, the applicable laws and regulations of Japan including the FIEL. For the purpose hereof, “resident of Japan” means an individual whose address is in Japan, and “Japanese corporation” means a legal entity organized under the laws of Japan.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

TRANSFER RESTRICTIONS

Each purchaser of a Note, by its acceptance of the Notes, will be deemed to have acknowledged, represented to and agreed with us and the applicable Dealer as follows:

- (1) If it is a purchaser of a Note sold pursuant to Regulation D and Part 16.7 of the OCC's securities offering regulations (12 C.F.R. Part 16.7), it understands and acknowledges that:
 - the Notes have not been registered under the Securities Act, the rules and regulations of the OCC or any other applicable securities law; and
 - the Notes are being offered for sale in transactions that do not require registration under the Securities Act, the OCC's securities offering regulations or any other securities laws; and
 - unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred except in compliance with the registration requirements of the Securities Act, the OCC's securities offering regulations or any other applicable securities laws, under an exemption from the securities laws or in a transaction not subject to the securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.
- (2) If it is a purchaser of a Note sold pursuant to Regulation D and 12 C.F.R. Part 16.7, it represents that:
 - it is an "accredited investor," as defined in Rule 501 under the Securities Act, and is aware that any sale of the Notes to it will be made in reliance on Regulation D of the Securities Act (as that Regulation is incorporated by reference into the OCC's securities offering regulations by 12 C.F.R. Part 16.7) and the acquisition will be for its own account; and
 - it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes and is able to bear the economic risks of, and withstand the complete loss of, such investment.
- (3) It acknowledges that none of the Bank, any Dealer or any person representing the Bank or any Dealer has made any representation to it with respect to us or the offering of the Notes, other than the information contained in this offering circular or the applicable Pricing Supplement, Final Terms or Program Supplement, if any, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes.
- (4) If it is a purchaser of a Note sold pursuant to Regulation D and 12 C.F.R. Part 16.7, it has had access to financial and other information concerning the Bank and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from us and the applicable Dealer.
- (5) If it is a purchaser of a Note sold pursuant to Regulation D and 12 C.F.R. Part 16.7, it is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes, subject to any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes as permitted hereby. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, to offer, sell or otherwise transfer the Notes only:
 - (a) to the Bank or one of its subsidiaries;
 - (b) to a person it reasonably believes is a QIB that is purchasing for its own account or for the account of a QIB, in each case, to whom notice is given that the transfer is being made in reliance on Rule 144A; or
 - (c) in another transaction that is exempt from registration under the rules and regulations of the Commission and the OCC, provided that the Bank and any Paying Agent will have the right to request an opinion of counsel from the transferor prior to effecting any such transfer.
- (6) That each applicable Note will contain a legend setting forth the applicable transfer restrictions in paragraph (5) above.
- (7) It acknowledges that the Bank, the Dealers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Bank and the applicable Dealer. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has full

investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

A Dealer may obtain a written agreement from any purchaser of the Notes, or conduct such other inquiry, as it may deem necessary to determine the accuracy of an investor's representations and acknowledgments set forth herein. Please see "ERISA Considerations" below for additional representations that may be deemed to be given by investors in the Notes.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974 (“ERISA”) imposes certain restrictions on employee benefit plans (“ERISA Plans”) that are subject to ERISA and on persons who are fiduciaries with respect to such ERISA Plans. In accordance with the ERISA’s general fiduciary requirements, a fiduciary with respect to any such ERISA Plan who is considering the purchase of Notes on behalf of such ERISA Plan should determine whether such purchase is permitted under the governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions between an ERISA Plan or other plan subject to Section 4975 of the Code (such plans and ERISA Plans and any entity whose underlying assets include plan assets by reason of any Plan’s investment in the entity, “Plans”) and persons who have certain specified relationships to the Plan (“parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary considering the purchase of Notes should consider whether such a purchase might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

The Bank or Dealers selling Notes may each be considered a “party in interest” or a “disqualified person” with respect to many Plans. The Bank and several of its subsidiaries are each considered a “disqualified person” under the Code or “party in interest” under ERISA with respect to many Plans, although the Bank is not a “disqualified person” with respect to an individual retirement account or “IRA” simply because the IRA is established with HSBC Securities (USA) Inc. or because HSBC Securities (USA) Inc. provides brokerage to the IRA, and the Bank cannot be a “party in interest” to any IRA other than certain employer-sponsored IRAs as only employer-sponsored IRAs are covered by ERISA.

The purchase of Notes by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement accounts and other plans described in Section 4975(c)(1) of the Code) and with respect to which the Bank or the Dealers selling Notes is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such notes are acquired pursuant to and in accordance with an applicable statutory or administrative exemption. Administrative exemptions include Prohibited Transaction Class Exemption (“PTCE”) 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving life insurance general accounts) or PTCE 96-23 (an exemption for certain transactions determined by in house investment managers).

It should also be noted that the Pension Protection Act of 2006 contains a statutory exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for transactions involving certain parties in interest or disqualified persons who are such merely because they are a service provider to a Plan, or because they are related to a service provider. Generally, the exemption would be applicable if the party to the transaction with the Plan is a party in interest or a disqualified person to the Plan but is not (i) an employer, (ii) a fiduciary who has or exercises any discretionary authority or control with respect to the investment of the Plan assets involved in the transaction, (iii) a fiduciary who renders investment advice (within the meaning of ERISA and Section 4975 of the Code) with respect to those assets, or (iv) an affiliate of (i), (ii) or (iii). Any Plan fiduciary relying on this statutory exemption (Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) and purchasing Notes on behalf of a Plan will be deemed to represent that (x) the fiduciary has made a good faith determination that the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Bank nor any affiliates of the Bank directly or indirectly exercises any discretionary authority or control or renders investment advice (as defined above) with respect to the assets of the Plan which such fiduciary is using to purchase the Notes, both of which are necessary preconditions to utilizing this exemption. Any purchaser that is a Plan is encouraged to consult with counsel regarding the application of the foregoing exemptions or any other statutory or administrative exemption.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code. However, such plans may be subject to the provisions of applicable federal, state or local or other laws, rules or regulations (“Similar Law”) substantially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans (“Similar Law Plans”) should consider applicable Similar Law when investing in the notes.

By its purchase of any Note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the Note through and including the date on which the purchaser or transferee disposes of its interest in such Note, either that (a) it is not a Plan, a Similar Law Plan or an entity whose underlying assets include the assets of any Plan or Similar Law Plan or (b) its purchase, holding and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law. Each purchaser and holder of the Notes has exclusive responsibility for ensuring that its purchase, holding and/or disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Laws.

In addition, any purchaser, that is a Plan or a Similar Law Plan or that is acquiring the Notes on behalf of a Similar Law Plan, including any fiduciary purchasing on behalf of a Plan or Similar Law Plan, will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Notes that (a) none of the Bank or Dealers, or any of their respective affiliates (each, a "Seller") is 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 Laws) with respect to the acquisition, holding or disposition of the Notes, or as a result of any exercise by a Seller of any rights in connection with the Notes, (b) no advice provided by a Seller has formed a primary basis for any investment decision by or on behalf of such purchaser in connection with the Notes and the transactions contemplated with respect to the Notes, and (c) such purchaser recognizes and agrees that any communication from a Seller to the purchaser with respect to the Notes is not intended by the Bank or any of its affiliates to be impartial investment advice and is rendered in its capacity as a seller of such Notes and not a fiduciary to such purchaser.

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

Any person proposing to acquire any Notes on behalf of a Plan or Similar Law Plan should consult with counsel regarding the applicability of the prohibited transaction rules and the applicable exemptions thereto and all other relevant considerations.

The above discussion may be modified or supplemented with respect to a particular offering of Notes, including the addition of further ERISA restrictions on purchase and transfer set forth in any applicable Final Terms, Pricing Supplement or Program Supplement, if any.

LEGAL MATTERS

Morrison & Foerster LLP, New York, New York, has acted as special tax counsel to the Bank in connection with certain United States federal income tax matters related to the issuance of the Notes. Certain legal matters will be passed upon for the Bank, the Dealers and HSBC USA by Morrison & Foerster LLP.

ANNEX A

FORM OF FINAL TERMS

FINAL TERMS DATED []



HSBC BANK USA, NATIONAL ASSOCIATION
(a national banking association)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US\$40,000,000,000**

**Global Bank Note Program
for the issue of Senior and Subordinated Notes**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Offering Circular dated September 27, 2013. This document constitutes the final terms of the Notes described herein and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first Tranche of an issue of Notes which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This document constitutes the final terms of the Notes described herein and must be read in conjunction with the Offering Circular dated September 27, 2013 save in respect of the Conditions which are extracted from the Offering Circular dated [original date].

[If the Notes have a maturity of less than one year from their date of issue, the minimum denomination may need to be £100,000 or its equivalent in any other Specified Currency.]

The Notes offered under this Final Terms have not been registered under the Securities Act of 1933, as amended (the “Securities Act”). Accordingly, the Notes [are being offered outside the United States in compliance with Regulation S under the Securities Act] [are being offered only to [institutional investors that are] “accredited investors” within the meaning of Rule 501 under the Securities Act, and each owner of a beneficial interest in a Note will be required to hold such beneficial interest in a minimum principal amount of U.S.\$250,000 (or its equivalent in other currencies calculated as described in the Offering Circular)] [are being offered only to [institutional investors that are] “accredited investors” within the meaning of Rule 501 under the Securities Act and in accordance with Regulation D under the Securities Act (as such Regulation is incorporated by reference into the U.S. Office of the Comptroller of the Currency’s securities offering regulations by 12 C.F.R. Part 16.7)].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

- | | | | |
|----|--------|--|--|
| 1. | [(i)] | Issuer: | HSBC Bank USA, National Association |
| | [(ii)] | Issuing Office: | [] |
| 2. | [(i)] | Series Number: | [] |
| | [(ii)] | Tranche Number: | [] |
| | | | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)</i> |
| 3. | | Specified Currency or Currencies: | <i>[Specify currency of denomination and currency of Payment]</i> |
| 4. | | Aggregate Principal Amount of Notes admitted to trading: | |

- [(i)] Series:
- [(ii)] Tranche: *[If interchangeable with existing Series]*
[]
5. Issue Price; Dealer's Discount or Commission: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date (if applicable)]*]
6. Authorized Denominations: []
7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date (if different from the Issue Date): []
8. Stated Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: [[] per cent. Fixed Rate]
[specify reference rate] +/- [] per cent.
Floating Rate]
[Zero Coupon]
[Indexed Interest]
[Other *(specify)*]
(further particulars specified below)
10. Interest Payment Period: [One Month][Three Months][Six Months][Twelve Months][Other *(specify)*]
11. Redemption/Payment Basis: [Redemption at par]
[Indexed Redemption]
[Dual Currency]
[Partly Paid]
[Installment]
[Other *(specify)*]
12. Change of Interest or Redemption/Payment Basis: [Not Applicable / Applicable] *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
13. Regular Record Dates (for Registered Notes with maturities greater than one year): []
14. Exchange Agent (DTC Registered Notes and Dual Currency Notes): []
15. Default Rate (if other than Interest Rate): [] % per annum
16. Put/Call Options: [Investor Put]
[Issuer Call]
[further particulars specified below]
17. [(i)] Status of the Notes: [Senior/Subordinated]
- [(ii)] Date of Board approval for issuance of Notes obtained: [] *(N.B: Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes)*
18. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
- (ii) Interest Payment Date(s): [[] in each year, up to and including the Maturity Date][adjusted in accordance with [specify Business Day Convention and any applicable Additional Financial Centre(s) for the definition of Business Day] / not adjusted] *(Amend as applicable in the case of long or short Coupons)*
- (iii) Fixed Coupon Amount[(s)]: [Not Applicable/if applicable, specify [] per [] in Principal Amount]
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
- (v) Day Count Convention: [30/360 for the period from [] to []]
[Actual/360 for the period from [] to []]
[Actual/Actual for the period from [] to []]
[Other (specify)]
(Consider for Euro denominated issues, should be on an Actual/Actual basis)
- (vi) Determination Date(s) [] in each year *(Insert interest payment dates, except where there are long or short periods. In these cases, insert regular interest payment dates; Note only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
20. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s): []
- (ii) Specified Interest Payment Dates: *[Specify dates (or if the Applicable Business Day Convention is the FRN Convention) applicable number of months]*
- (iii) Business Day Convention: [[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / Other (give details) / No Adjustment]]
- (iv) Business Centre: []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Reference Rate Determination / ISDA Determination / Other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): *[Name and specified office]*
- (vii) Reference Rate Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- Initial Interest Rate: []
- Index Maturity: []
- Interest Rate Basis or Bases: [Designated CMT Reuters Screen Page]
[Designated CMT Index Maturity]
[Reuters LIBOR Screen Page]
]
- Index Currency: []
- Spread: [+/-] [] per cent. per annum
- Spread Multiplier: []
- Initial Interest Reset Date: []
- Initial Reset Period: []
- Initial Reset Dates: []
- Initial Calculation: [Regular Floating Rate Note]
[Floating Rate/Fixed Rate Note]
[Fixed Rate Commencement Date: []]
[Fixed Interest Rate: [] % per annum]
[Inverse Floating Rate Note]
[Fixed Interest Rate: [] % per annum]
- (viii) ISDA Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - Margin: [+/-] [] per cent. per annum
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (ix) Margin(s): [+/-] [] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Convention: [30/360 for the period from [] to []]
[Actual/360 for the period from [] to []]
[Actual/Actual for the period from [] to []]
[Other (specify)]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
- (xiv) Calculation Agent: []

21. **Original Issue Discount Notes (Including Zero Coupon Notes) Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Total Amount of OID: []
- (ii) [Amortization/Accrual] Yield: [] per cent. per annum
- (iii) Reference Price: []
- (iv) Initial Accrual Period: []
- (v) Any other formula/basis of determining amount payable: []

22. **Indexed Notes/other variable linked interest Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Index/Formula/other variable: []
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference in Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest payable where calculation by reference to the Index/Formula is impossible or impractical: []
- (vi) Interest or calculation period: []
- (vii) Specify Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (ix) Business Centre: []
- (x) Minimum Rate/Amount of Interest: [] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []

23. **Dual Currency Note Provisions:** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Face Amount: []
- (ii) Face Amount Currency: []
- (iii) Optional Payment Currency: []
- (iv) Option Election Dates: []
- (v) Rate of Exchange/method of calculating Rate of Exchange: []
- (vi) Calculation Agent (if any) responsible for calculating the principal and/or interest due: []
- (vii) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest payable where calculation by reference to Rate(s) of Exchange is []

impossible or impracticable:

(viii) Person at whose option Specified Currency(ies) []
is/are payable:

24. **Installment Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

Additional provisions relating to Installment Notes: []

25. **Partly Paid Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

Additional provisions relating to Partly Paid Notes: []

PROVISIONS RELATING TO REDEMPTION

26. **Call Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(i) Initial Redemption Date: []

(ii) Initial Redemption Percentage: []

(iii) Annual Redemption Percentage Reduction: []

(iv) Optional Redemption Date(s): []

(v) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Note of [] Specified Denomination].

(vi) If redeemable in part: [*Specify, otherwise redemption will only be permitted of entire Series*]

(a) Minimum Redemption Amount: []

(b) Maximum Redemption Amount: []

(vii) Notice period: []

27. **Put Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub- paragraphs of this paragraph)

(i) Initial Redemption Date: []

(ii) Initial Redemption Percentage: []

(iii) Annual Redemption Percentage Reduction: []

(iv) Optional Redemption Date(s): []

(v) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Note of [] Specified Denomination].

(vi) Notice period: []

28. **Final Redemption Amount of each Note:** [[] per Note of [] Specified Denomination (*give details*).]

In cases where the Final Redemption Amount is Index-Linked or other variable Linked: [*give details*]

(i) Index/Formula/Variable: []

(ii) Calculation Agent Responsible for calculating the Final Redemption Amount: []

(iii) Provisions for determining Final Redemption []

Amount where calculation by reference to Index and/or Formula and/or other variable:

- (iv) Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date: []
- (vii) Minimum Final Redemption Amount: []
- (viii) Maximum Final Redemption Amount: []

29. Early Redemption Amount

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable/ *Specify*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

30. Form of Notes:

- (i) Registered Notes: [Not Applicable/ *Specify*]
- (ii) Regulation S Global Note: [Not applicable/([] nominal amount) registered in the name of [a nominee for DTC] [a common depository for Euroclear and Clearstream, Luxembourg]]

31. Financial Centre(s) or other provisions relating to Payment Dates: [Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 19(ii), 20(iv) and 22(ix) relate*]

32. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]

33. Details relating to Installment Notes: amount of each installment, date on which each payment is to be made: [Not Applicable/*give details*]

34. Redenomination, renominalization and reconventioning provisions: [Not Applicable / The provisions [in Condition [] apply]

35. Consolidation provisions: [Not Applicable / The provisions [in Condition [] apply]

36. Other final terms: [Not Applicable/*give details*]

DISTRIBUTION

37. (i) If syndicated, names of Managers: [Not Applicable/*give names of Relevant Dealer/Lead Manager and other Dealers/Managers (if any)*]

(ii) Date of Distribution Agreement: []

(iii) Stabilizing Manager (if any): []

38. If non-syndicated, name of Dealer: [Not Applicable/*give name*]

39. Additional selling restrictions: [Not Applicable/*give details*]

40. Other Information: [Not Applicable] []

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced inaccurate or misleading.

Signed on behalf of HSBC Bank USA, National Association:

By: _____
Duly authorized

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London][Not Applicable]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the Professional Securities Market] on or about []][Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S&P: []]
- [Moody's: []]
- [[Other]: []]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)*

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Not Applicable][Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: []]
- (See [“Use of Proceeds”] wording in Offering Circular – if reasons for offer differ from general financing requirements and/or making profit and hedging certain risks will need to include those reasons here.)*
- [(i)/(ii)] Estimated net proceeds: []
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- [(ii)/(iii)] [Estimated total expenses: [] [Include breakdown of expenses.]
- (Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

5. [Fixed Rate Notes Only] – YIELD

Indication of yield: []

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

7. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of relevant rate[s] can be obtained.]

8. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of Additional Paying Agent(s) (if any): [Not applicable/give names and addresses]

ANNEX B

FORM OF PRICING SUPPLEMENT

PRICING SUPPLEMENT DATED , 201[]

(To Offering Circular dated September 27, 2013)

HSBC BANK USA, NATIONAL ASSOCIATION

(a national banking association)

Global Bank Notes

This Pricing Supplement should be read in conjunction with the accompanying Offering Circular, dated September 27, 2013 (the “**Offering Circular**”), relating to the U.S.\$40,000,000,000 Global Bank Note Program of HSBC Bank USA, National Association. Unless otherwise defined herein, terms used herein shall have the meanings ascribed to them in the Offering Circular.

[Include whichever of the following apply]

The Notes offered under this pricing supplement have not been registered under the Securities Act of 1933 (the “**Securities Act**”). Accordingly, the Notes [are being offered outside the United States in compliance with Regulation S under the Securities Act] [are being offered only to [institutional investors that are] “accredited investors” within the meaning of Rule 501 under the Securities Act, and each owner of a beneficial interest in a Note will be required to hold such beneficial interest in a minimum principal amount of U.S.\$250,000 (or its equivalent in other currencies calculated as described in the Offering Circular)] [are being offered only to [institutional investors that are] “accredited investors” within the meaning of Rule 501 under the Securities Act and in accordance with Regulation D under the Securities Act (as such Regulation is incorporated by reference into the U.S. Office of the Comptroller of the Currency’s securities offering regulations by 12 C.F.R. 16.7)].

DESCRIPTION OF THE NOTES

1. Issuing Office:
2. Specified Currency and Principal Amount:
3. Senior or Subordinated:
4. Original Issue Date:
5. Stated Maturity Date:
6. Issue Price; Dealer’s Discount or Commission:
7. Authorized Denomination(s):
8. Form of Note:
9. (a) Series Number:
(b) If forming part of an existing Series (Yes/No): [If yes, give details]
10. Interest Payment Period:
 - [] One Month
 - [] Three Months
 - [] Six Months
 - [] Twelve Months
 - [] Other (Specify Number of Months):

- 11. Interest Payment Date(s):
- 12. Regular Record Dates (for Registered Notes with Maturities Greater than One Year):
- 13. Exchange Agent (DTC Registered Notes and Dual Currency Notes):
- 14. Default Rate (if other than Interest Rate): % per annum
- 15. Listing:
- 16. Ratings:

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE
FIXED RATE NOTES**

- 17. Interest Rate: % per annum
- 18. Day Count Convention:
 - 30/360 for the period from to
 - Actual/360 for the period from to
 - Actual/Actual for the period from to
 - Other (specify convention and applicable period):

FLOATING RATE NOTES

- 19. Interest Rate Determination:
 - ISDA Rate
 - Reference Rate Determination
- 20. Calculation Agent:
- 21. Maximum Interest Rate: % per annum
- 22. Minimum Interest Rate: % per annum
- 23. Day Count Convention:
 - 30/360 for the period from to
 - Actual/360 for the period from to
 - Actual/Actual for the period from to
 - Other (specify convention and applicable period):
- 24. Business Day Convention:
 - Floating Rate Convention
 - Following Business Day Convention
 - Modified Following Business Day Convention
 - Preceding Business Day Convention

Other (specify):

ISDA RATE

25. Margin: [+/-]% per annum

26. Floating Rate Option:

27. Designated Maturity:

28. Reset Date:

REFERENCE RATE DETERMINATION

29. Initial Interest Rate:

30. Index Maturity:

31. Interest Rate Basis or Bases:

 If CMT Rate: Designated CMT Reuters Screen page:

 Designated CMT Index Maturity:

 If LIBOR: Reuters LIBOR Screen page:

32. Index Currency:

33. Spread: [+/-] % per annum

34. Spread Multiplier:

35. Initial Interest Reset Date:

36. Interest Reset Period:

37. Interest Reset Dates:

38. Interest Calculation:

Regular Floating Rate Note

Floating Rate/Fixed Rate Note

 Fixed Rate Commencement Date:

 Fixed Interest Rate: % per annum

Inverse Floating Rate Note

 Fixed Interest Rate: % per annum

PROVISIONS REGARDING REDEMPTION/REPAYMENT

39. Initial Redemption Date:

40. Initial Redemption Percentage:

41. Annual Redemption Percentage Reduction:

42. Holder's Optional Repayment Date(s):

ORIGINAL ISSUE DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

43. Original Issue Discount Note (Yes/No):

If Yes: Total Amount of OID:

Yield to Maturity:

Initial Accrual Period:

Issue Price: %

INDEXED NOTES

44. Index: [give details]

45. Formula:

46. Calculation Agent responsible for calculating the principal interest due:

47. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

48. Dual Currency Notes (Yes/No):

If Yes: Face Amount:

Face Amount Currency:

Optional Payment Currency:

Option Election Dates: [give details]

49. Designated Exchange Rate:

50. Option Value Calculation Agent:

51. Calculation Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

52. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

53. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

54. Additional or different Paying Agents:

55. "Business Day" definition (if other than as defined in the Offering Circular):

[If yes, give details]

56. Additional selling restrictions: [give details]

57. CUSIP:

ISIN:

Common Code:

CINS:

Other (specify):

58. Details of additional/alternative clearance system approved by the Bank:

59. Syndicated Issue (Yes/No): If Yes, names of managers and details of relevant stabilizing manager, if any:

60. Clearance System(s):

DTC only

Euroclear and Clearstream, Luxembourg only

DTC; and Euroclear and Clearstream, Luxembourg through DTC

DTC, Euroclear and Clearstream, Luxembourg

Other:

61. Name(s) of relevant Dealer(s):

62. Other terms or special conditions:

63. Redenomination:

64. Tax considerations:

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$40,000,000,000 Global Bank Note Program for the Issue of Senior and Subordinated Notes of HSBC Bank USA, National Association dated September [], 2013.]

RESPONSIBILITY

The Bank accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of HSBC Bank USA, National Association:

By: _____
Duly authorized



ISSUER

HSBC Bank USA, National Association
1800 Tysons Boulevard, Suite 50
McLean, Virginia 2210219801

Buffalo Office
One HSBC Center
Buffalo, New York 14203

New York City Office
452 Fifth Avenue
New York, New York 10018

**GLOBAL AGENT, REGISTRAR
AND ISSUING AND PRINCIPAL PAYING AGENT**

HSBC Bank USA, National Association
Corporate Trust
452 Fifth Avenue
New York, New York 10018

LONDON ISSUING AGENT, PAYING AGENT AND TRANSFER AGENT

HSBC Bank plc
Corporate Trust and Loan Agency
8 Canada Square
London E14 5HQ

CALCULATION AGENTS

HSBC France
103, avenue des Champs Elysées
75008 Paris

**HSBC Bank USA, National
Association**
1 West 39th Street, 11th Floor
New York, New York 10018

LEGAL ADVISORS

Program Counsel
As to United States Law:
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104

To the Bank
As to United States Federal Income Tax Law:
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104

AUDITORS

KPMG LLP
345 Park Avenue
New York, New York 10154
USA