HSBC Bank USA, N.A.

Growth Opportunity CD

Linked to the PowerShares® S&P500® Low Volatility Portfolio ETF

Initial Terms and Conditions

Issuer	HSBC Bank USA, N.A.
Issue	6.5 Year Growth Opportunity CD
Issuer Rating	AA- (S&P), A1 (Moody's)
Denomination	U.S. Dollars (USD)
Trade Date	October 23, 2013
Initial Fixing Date	October 23, 2013
Settlement Date	October 28, 2013
Maturity Date	April 28, 2020
Issue Price	100.00%
Reference Asset	PowerShares® S&P 500® Low Volatility Portfolio ETF (ticker: SPLV UP Equity)
Maturity Redemption Amount	The Principal Amount plus the Interest Payment Amount
Interest Payment Amount	The Principal Amount multiplied by the greater of (1) 0.00% or (2) the Final Return
Final Return	The product of (1) the quotient of (A) the Average Closing Price minus the Initial Price, divided by (B) the Initial Price and (2) the Participation Rate
Participation Rate	[105.00 - 115.00]% to be determined on the Trade Date
Average Closing Price	The arithmetic average of the Closing Prices of the Reference Asset on each of the Observation Dates
Initial Price	The Closing Price of the Reference Asset on its Initial Fixing Date
Observation Dates	Quarterly on January 23, April 23, July 23 and October 23 of each year for each calendar year prior to the Maturity Date, subject to adjustment as described herein. There will be a total of 26 Observation Dates over the term of the CD. The first Observation Date is scheduled for January 23, 2014 and the last Observation Date is scheduled for April 23, 2020, subject to adjustment as described herein.
Minimum Denomination	$1,000 and increments of $1,000 thereafter
Estimated Initial Value	Between $900.00 and $940.00 per CD
CUSIP	40434AFL8
Comparable Yield (for tax purposes)	1.93%

CD DESCRIPTION

This Growth Opportunity CD provides exposure to the potential quarterly averaged price appreciation in the PowerShares® S&P 500® Low Volatility Portfolio ETF. Proceeds equal to at least the full Principal Amount are payable by the Issuer if the CD is held to maturity. The principal protection applies only if held to maturity.

HIGHLIGHTS

- *Growth Potential:* Depositors will receive an uncapped upside participation in the quarterly average performance of the PowerShares® S&P 500® Low Volatility Portfolio ETF as measured from the Initial Fixing Date.
- *FDIC Insurance:* This deposit qualifies for FDIC coverage generally up to $250,000 in aggregate for all deposits per institution for individual depositors and up to $250,000 in aggregate for all deposits per institution held in certain retirement plans and accounts, including IRAs.
- *IRA-eligible*

HSBC

Reference Asset Description

- The PowerShares® S&P 500® Low Volatility Portfolio ETF seeks investment results that generally correspond (before fees and expenses) to the price and yield of the The S&P 500 Low Volatility Index (the "Underlying Index"). The Underlying Index comprises the 100 least-volatile stocks over the previous year in the S&P 500 Index, as determined by S&P on each rebalancing date.
- There are two steps in the creation of the Underlying Index:
  - Calculate the historical volatilities of the 500 stocks in the S&P 500® Index using daily standard deviation data for the past year
  - Rank the stocks in ascending order of their historical volatility and select the 100 least volatile stocks.
- At each rebalancing, the selected stocks are weighted the by the inverse of their volatility, with the least volatile stocks receiving the highest weights. The Underlying Index is then rebalanced on a quarterly basis (in February, May, August, and November each year).

Features of Quarterly Averaging with Interest at Maturity

- Regardless of the Reference Asset performance, depositors will receive the Principal Amount.
- A CD with quarterly averaging may experience lower volatility as compared with a direct investment in the Reference Asset.
- As compared with the point to point payoff method, a quarterly averaging payoff method may yield a higher final return in the event the Reference Asset rises over the term of the CD but declines near the end.
- Averaging, however, will not reflect the full performance of the Reference Asset if the Reference Asset steadily rises over the term of the CD.

Certain Risks and Considerations

Purchasing the CDs involves a number of risks. It is suggested that prospective depositors reach a purchase decision only after careful consideration with their financial, legal, accounting, tax and other advisors regarding the suitability of the CDs in light of their particular circumstances. See "Risk Factors" on page 10 herein for a discussion of risks, which include:

- The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks
- Return on the CDs may not necessarily reflect the full performance of the Reference Asset
- Depositors will be subject to an Early Redemption Fee and Early Withdrawal Charge if they choose to redeem the CDs early, and therefore they may not receive proceeds equal to the full Principal Amount of their CDs upon an early redemption
- There is no current secondary market for the CDs and the Issuer may have adverse economic interests to depositors
- The Estimated Initial Value of the CDs, which will be determined by us on the Trade Date, will be less than the Issue Price and may differ from the market value of the CDs in the secondary market, if any

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit dated March 1, 2011 which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at http://www.us.hsbc.com/basedisclosure or can be obtained from the Agent offering the CDs.

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Initial Terms and Conditions

Deposit Highlights

April 28, 2020

GENERAL

- Certificates of deposit (the "CDs") issued by HSBC Bank USA, N.A. (the "Issuer" or the "Bank")
- Proceeds equal to at least the full Principal Amount payable by the Issuer if the CDs are held to maturity
- CDs are obligations of the Issuer and not its affiliates or agents, and amounts due under the CDs are subject to the Issuer's creditworthiness, and FDIC insurance limits
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement dated March 1, 2011 under the section entitled "FDIC Insurance"
- As described more fully herein, early withdrawals are permitted at par in the event of the death or adjudication of incompetence of the beneficial owner of the CDs

SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain terms and conditions of the 6.5 Year Growth Opportunity CD maturing April 28, 2020. The following summary of certain terms of the CDs is subject to the more detailed terms of the CDs included elsewhere in these Terms and Conditions and should be read in conjunction with the Base Disclosure Statement.

Issuer:	HSBC BANK USA, N.A., acting through its New York Branch ("HSBC")
Issuer Rating:	Senior unsecured deposit obligations of the Issuer are currently rated A1 by Moody's Investors Service, Inc. and AA- by Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs. The CDs are not individually rated.
CDs:	6.5 Year Growth Opportunity CD maturing April 28, 2020.
Book-Entry Form:	The CDs will be represented by one or more master CDs held by and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Beneficial interests in the CDs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.
Aggregate Principal Amount:	$TBD
Minimum Deposit Amount:	$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and multiples of $1,000 Principal Amounts thereafter.
Principal Amount:	The CDs will be issued in denominations of $1,000 for each CD
Initial Fixing Date:	October 23, 2013
Trade Date:	October 23, 2013
Settlement Date:	October 28, 2013
Maturity Date:	April 28, 2020, subject to adjustment as described herein
Issue Price:	100.00% of Principal Amount
Reference Asset:	The PowerShares® S&P 500® Low Volatility Portfolio ETF (ticker: SPLV UP Equity).

Payment at Maturity:	For each CD, the Maturity Redemption Amount.
Maturity Redemption Amount:	The Maturity Redemption Amount is the total amount due and payable on each CD on the Maturity Date. On the Maturity Date, the depositor of each CD will receive an amount equal to the Principal Amount plus the Interest Payment Amount. The Maturity Redemption Amount will be calculated by the Calculation Agent on or subsequent to the final Observation Date. The Maturity Redemption Amount will not include dividends paid on the common stocks included in the Underlying Index. No interest, other than an amount in respect of the Interest Payment Amount will be paid on the CDs at any time.
Interest Payment Amount:	The Principal Amount multiplied by the greater of (1) 0.00% or (2) the Final Return
Final Return:	The product of (1) the quotient of (A) the Average Closing Price minus the Initial Price, divided by (B) the Initial Price and (2) the Participation Rate
Participation Rate:	[105.00 - 115.00]%
Averaging Closing Price:	The arithmetic average of the Closing Prices of the Reference Asset on each of the 26 Observation Dates
Initial Price:	The Closing Price of the Reference Asset on the Initial Fixing Date
Closing Price:	On each Observation Date, the closing price of the Reference Asset on such Observation Date as determined by the Calculation Agent based upon the price displayed on Bloomberg Professional® service page "SPLV UP Equity <EQUITY>", or on any successor page on the Bloomberg Professional® service or any successor service, as applicable, adjusted by the Calculation Agent as described under "Description of the CDs—Potential Adjustment Events" in the accompanying Base Disclosure Statement
Interest Due:	Any accrued Interest Payment Amount due and owed to the depositor
Observation Dates:	Quarterly on January 23, April 23, July 23 and October 23 of each year for each calendar year prior to the Maturity Date, subject to adjustment. There will be a total of 26 Observation Dates over the term of the CD. The first Observation Date is scheduled for January 23, 2014 and the last Observation Date is scheduled for April 23, 2020, subject to adjustment as described below in the section "Description of the Certificates of Deposit"
Scheduled Trading Day:	Any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for the Reference Asset
Relevant Exchange:	The primary exchange for the Reference Asset
Related Exchange:	Each exchange or quotation system, if any, on which options or futures contracts related to the Reference Asset, are traded or quoted, or any successor or temporary substitute for such exchange or quotation system (provided we have determined, for a substitute exchange or quotation system, that liquidity on such substitute is comparable to liquidity on the original Related Exchange) and where trading has a material effect (as determined by the Calculation Agent) on the overall market for options or futures contracts related to the Reference Asset
Early Redemption by Depositor:	Although not obligated to do so, and subject to regulatory constraints, the Issuer or its affiliate is generally willing to repurchase or purchase the CDs from depositors at any time for so long as the CDs are outstanding. A depositor may request early redemption of the CDs in whole, but not in part, by notifying the Agent from whom he or she bought the CDs (who must then notify the Issuer). All early redemption requests (whether written or oral) are irrevocable. In the event that a depositor were able to redeem the CDs prior to the Maturity Date, the depositor would receive the Early Redemption Amount (as defined below) and will not be entitled to an amount in respect of any further interest or any other return on his or her CDs. Further, the Early Redemption Amount will be adjusted by an Early Redemption Fee and Early Withdrawal Charge. As a result, the Early Redemption Amount may be substantially less than the Principal Amount of the CDs. Redemptions made pursuant to the Successor Option are calculated differently. See "Successor Option" herein.
Current Market Value:	The bid price of a CD, as determined by the Calculation Agent based on its financial models and objective market factors

Early Redemption Amount: The Early Redemption Amount means the full Principal Amount, plus any Interest Due, plus the Early Redemption Fee (which may be positive or negative), and less the Early Withdrawal Charge. As described above, the Early Redemption Amount may be substantially less than the Principal Amount of the CDs. A depositor, through the Agent from whom he or she bought the CDs, may obtain from the Calculation Agent an estimate of the Early Redemption Amount which is provided for informational purposes only. Neither the Issuer nor the Calculation Agent will be bound by the estimate.

Early Redemption Fee: The Current Market Value, minus any Interest Due, and minus the Principal Amount of the CD

Early Withdrawal Charge: An amount equal to the Principal Amount multiplied by the applicable Early Withdrawal Charge as set forth in the table below:

Year	1	2	3	4	5	6
Early Withdrawal Charge	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%

For purposes of the Early Withdrawal Charges:

- Year 1 is defined as: from and including the Trade Date to (but excluding) the 1st anniversary of the Trade Date;
- Year 2 is defined as: from and including the 1st anniversary of the Trade Date to (but excluding) the 2nd anniversary of the Trade Date;
- Year 3 is defined as: from and including the 2nd anniversary of the Trade Date to (but excluding) the 3rd anniversary of the Trade Date;
- Year 4 is defined as: from and including the 3rd anniversary of the Trade Date to (but excluding) the 4th anniversary of the Trade Date;
- Year 5 is defined as: from and including the 4th anniversary of the Trade Date to (but excluding) the 5th anniversary of the Trade Date;
- Year 6 is defined as: from and including the 5th anniversary of the Trade Date to (but excluding) the 6th anniversary of the Trade Date;

Successor Option: In the event of the death or adjudication of incompetence of the Initial Depositor (as defined herein) of the CDs, subject to certain conditions and limitations, the CDs may be redeemed pursuant to the exercise of the Successor Option. See "Successor Option" herein. CDs so redeemed will not be entitled to a return in respect of any further Interest Payment Amount or any other return on his or her CDs.

Redemption for Extraordinary Event: If any early redemption by the Issuer occurs as described in the section entitled "Description of the CDs—Early Redemptions—Redemption for Extraordinary Event" in the Base Disclosure Statement, depositors shall receive at least the Principal Amount of their CDs, plus any Interest Due.

Market Disruption Event: As described in the Base Disclosure Statement

Discontinuance/Modification of the Reference Asset: As described in the Base Disclosure Statement

Calculation Agent: HSBC Bank USA, N.A.

All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the depositors of the CDs.

Listing: The CDs will not be listed on any U.S. securities exchange or quotation system. See "Risk Factors" herein.

FDIC Insurance: See "FDIC Insurance" herein and in the Base Disclosure Statement for details.

ERISA Plans: See "Certain ERISA Considerations" in the Base Disclosure Statement for details.

Risk Factors:	The purchase of the CDs involves certain risks. See "Risk Factors" herein for a discussion of some of the factors which should be considered by prospective purchasers of the CDs.
Estimated Initial Value:	The Estimated Initial Value of the CDs will be less than the price you pay to purchase the CDs and is expected to be between $900.00 and $940.00 per CD. The Estimated Initial Value does not represent a minimum price at which we or any of our affiliates would be willing to purchase your CDs in the secondary market (if any exists) at any time. The Estimated Initial Value will be calculated on the Trade Date and will be set forth in the final Terms and Conditions.
Tax:	See "Certain U.S. Federal Income Tax Considerations" herein for a description of the tax treatment applicable to this instrument.
Governing Law:	New York
Comparable Yield (for tax purposes):	1.93%
CUSIP:	40434AFL8

Purchasing the CDs involves a number of risks. See “Risk Factors” beginning on page 9.

The CDs offered hereby are time deposit obligations of HSBC Bank USA, N.A., a national banking association organized under the laws of the United States, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”) within the limits and to the extent described in the section entitled “FDIC Insurance” herein and in the Base Disclosure Statement.

Our affiliate, HSBC Securities (USA) Inc., and other unaffiliated distributors of the CDs may use these terms and conditions and the accompanying Base Disclosure Statement in connection with offers and sales of the CDs after the date hereof. HSBC Securities (USA) Inc. may act as principal or agent in those transactions. As used herein, references to the “Issuer”, “we”, “us” and “our” are to HSBC Bank USA, N.A.

HSBC BANK USA, N.A.

Member FDIC

These Terms and Conditions were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. These Terms and Conditions were written and provided by the Issuer in connection with the promotion or marketing by the Issuer and/or distributors of the CDs. Each depositor should seek advice based on its particular circumstances from an independent tax advisor.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. In the event of any inconsistency between the Base Disclosure Statement and these Terms and Conditions, these Terms and Conditions will govern. A copy of the Base Disclosure Statement is available at http://www.us.hsbc.com/basedisclosure or can be obtained from the Agent offering the CDs.

QUESTIONS AND ANSWERS

What are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Although not obligated to do so, and subject to regulatory constraints, the Issuer or its affiliate is generally willing to repurchase or purchase the CDs from depositors upon request as described herein and for so long as the CDs are outstanding. Redemptions may also occur optionally upon the death or adjudication of incompetence of a depositor. See the section entitled "Successor Option" below.

Each CD represents an initial deposit by a depositor to the Issuer of $1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers), and the CDs will be issued in integral multiples of $1,000 Principal Amount in excess thereof. Depositors will not have the right to receive physical certificates evidencing their ownership of the CDs except under limited circumstances; instead the Issuer will issue the CDs in book-entry form. Persons acquiring beneficial ownership interests in the CDs will hold the CDs through DTC in the United States, if they are participants of DTC, or indirectly through organizations which are participants in DTC.

What amount will depositors receive at maturity in respect of the CDs?

At the scheduled maturity (and not upon an early redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal (A) the Principal Amount of the CD plus (B) the Interest Payment Amount. The Interest Payment Amount will be equal to the greater of: (1) 0.00% or (2) the Final Return, as described in the Summary of Terms above and the "Maturity Redemption Amount" section in the Base Disclosure Statement. The Final Return will be equal to (1) the quotient of (A) the Average Closing Price minus the Initial Price, divided by (B) the Initial Price, multiplied by (2) the Participation Rate. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Interest Payment Amount will not include dividends paid on the stocks comprising the Underlying Index. Apart from Interest Payment Amount, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see "Summary of Terms" above and "Sensitivity Analysis" below.

What amount will Depositors receive if they are able to sell their CDs prior to maturity through an early redemption?

Historically, it has been a practice of the Issuer or its affiliate to repurchase or purchase from depositors the certificates of deposit issued by the Issuer on terms described in this paragraph. Although not obligated to do so, and subject to regulatory constraints, the Issuer or its affiliate is generally willing to repurchase or purchase the CDs from depositors at any time for so long as the CDs are outstanding. The redemption proceeds paid by the Issuer upon an early redemption will be the Early Redemption Amount. Because of the Early Redemption Fee and Early Withdrawal Charge components of the Early Redemption Amount, there is no guarantee that a depositor who redeems a CD early, other than as a result of the exercise of the Successor Option, which may be subject to a Successor Option Limit Amount (as described herein), will receive his or her full Principal Amount or any return on his or her CD, after deducting these fees. See "Summary of Terms–Early Redemptions by Depositors".

What is the PowerShares® S&P 500® Low Volatility Portfolio ETF?

The PowerShares® S&P 500® Low Volatility Portfolio ETF seeks investment results that generally correspond (before fees and expenses) to the price and yield of the S&P 500 Low Volatility Index that measures the performance of the 100 least volatile stocks in the S&P 500 Index. It is designed to serve as a benchmark for low volatility in the U.S. stock market. For further information regarding the description of the Reference Asset please see Annex A hereto.

Are the CDs FDIC Insured?

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect. In general, deposits held by an individual depositor in the same ownership capacity at the same depository institution are insured by the FDIC up to $250,000. Please see "FDIC Insurance" in the Base Disclosure Statement for more details.

What are the U.S. federal income tax consequences of purchasing the CDs?

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

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

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

What about liquidity?

Although not obligated to do so, historically it has been a practice of the Issuer or its affiliate to repurchase or purchase from depositors the certificates of deposit issued by the Issuer on terms described herein (see "—What amount will depositors receive if they are able to sell their CDs prior to maturity?"). There is currently no established secondary trading market for the CDs. There is no assurance that a secondary market for the CDs will develop, or if it develops, that it will continue. In the event that a depositor could find a buyer of his or her CD, it is likely that the price the depositor would receive would be net of fees, commissions and/or discounts payable in connection with the sale of the CD prior to its maturity in the secondary market. Prospective depositors should carefully consider all of the information set forth in these Terms and Conditions and the Base Disclosure Statement and, in particular, should evaluate the specific risk factors set forth under "Risk Factors".

What about fees?

HSBC Securities (USA) Inc., an affiliate of the Issuer, will act as an agent in connection with purchases of the CDs by affiliated or unaffiliated third party distributors (the "Agents"). Agents will receive a fee or be allowed a discount as compensation of up to 4.00% per CD, or $40.00 per $1,000 Principal Amount. In certain instances an additional fee may be paid to Agents in connection with their costs associated with the continuing implementations of systems to support the CDs. See "The Distribution" in the Base Disclosure Statement and below.

What about ERISA eligibility?

The CDs are not eligible for purchase by, on behalf of or with the assets of, Plans (as defined in the Base Disclosure Statement) unless the purchase and holding of the CDs does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. In view of the fact that the CDs represent deposits with the Issuer, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. (See "Certain ERISA Considerations" in the Base Disclosure Statement.) Each initial purchaser of a CD and each transferee thereof shall be deemed to represent and covenant that, throughout the period that it holds CDs, either A) it is not, and is not acquiring CDs with the assets of, a Plan, or B) that its purchase, holding and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, section 4975 of the Code, or Similar Law.

RISK FACTORS

Purchasing the CDs is not equivalent to investing directly in the Reference Asset or the constituent securities of the Underlying Index. It is recommended that prospective depositors considering purchasing CDs reach a decision to purchase only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the CDs in light of their particular circumstances and the risk factors set forth below and other information set forth in these Terms and Conditions and the accompanying Base Disclosure Statement.

As you review the "Risk Factors" in the accompanying Base Disclosure Statement, you should pay particular attention to the following sections:

- "— Risks Relating to All CD Issuances"; and
- "— Additional Risks Related to CDs with a Reference Asset that is an Equity Share, Equity Index or Fund Share or Fund Index with Underlying Equity Investments".

You will be subject to certain risks not associated with conventional fixed-rate or floating-rate CDs or debt securities. Furthermore, amounts due under the CDs are subject to the Issuer's credit risk.

The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks.

Because of the numerous factors that may affect the value of the Reference Asset, no assurance can be given that depositors of the CDs will receive a return greater than zero. Depositors must understand that they have no interest in the companies comprising the Underlying Index and neither they, nor the Issuer on their behalf nor any Agent on their behalf, will have any recourse against the sponsor of the Underlying Index or any rights in the Reference Asset or Underlying Index either contractually or statutorily. Depositors in the CDs will not receive any payments in respect of dividends or other distributions that may be payable on the securities included in the Underlying Index, nor will depositors be entitled to any voting rights or other control rights that holders of the securities included in the Underlying Index may have with respect to the issuers of such securities. None of the issuers of the securities included in the Underlying Index are affiliates of the Issuer, and none are involved in the CDs in any way. The obligations represented by the CDs are obligations of the Issuer and are not obligations of the issuers of the securities included in the Underlying Index.

Depositors will be subject to an Early Redemption Fee and Early Withdrawal Charge if they choose to redeem the CDs early, and therefore they may not receive proceeds equal to the full Principal Amount of their CDs upon an early redemption.

The CDs are designed so that if, and only if, they are held to maturity, the depositor will receive no less than the Principal Amount of his or her CDs. Unless the redemption is the result of the exercise of the Successor Option and the principal amount of such redemption does not exceed the Successor Option Withdrawal Limit (as described further herein), if a depositor chooses to redeem the CDs early, and is able to do so, such depositor will not be entitled to, and may not receive, any return on his or her CDs. In addition, the proceeds received by such a depositor, although based on the full Principal Amount, will be adjusted by an Early Redemption Fee and Early Withdrawal Charge (see "Summary of Terms-Early Redemption Amount"). As a result, the proceeds payable upon an early redemption may be less (and may be substantially less) than the Principal Amount of the CDs.

The Averaging Closing Price may be less than the Closing Price on the final Observation Date.

The Averaging Closing Price is calculated by reference to the average of the Closing Prices of the Reference Asset on the Observation Dates, and may be less than the Closing Price of the Reference Asset on the final Observation Date. As a result, your return on the CDs may be less than you would receive if the Maturity Redemption Amount was based solely on the Closing Price of the Reference Asset on the final Observation Date. This difference could be particularly large if there is a significant increase in the price of the Reference Asset during the latter portion of the term of the CDs. Additionally, the secondary market value of the CDs, if such a market exists, will be impacted by the Closing Price of the Reference Asset on any previous Observation Dates, in that those values will impact the Maturity Redemption Amount.

The amount payable on the CDs is not linked to the values of the Reference Asset at any time other than on the Observation Dates.

The Averaging Closing Price will be based on the Closing Price of the Reference Asset on each of the Observation Dates, subject to postponement for non-trading days and certain Market Disruption Events. Even if the price of the Reference Asset appreciates during the term of the CDs on days other than the Observation Dates, but then decreases on one or more of the Observation Dates, the

Maturity Redemption Amount will be less, and may be significantly less, than it would have been had the Maturity Redemption Amount been linked to the price of the Reference Asset prior to such decrease. Although the actual price of the Reference Asset on the Maturity Date or at other times during the term of the CDs may be higher than its Averaging Closing Price, the Maturity Redemption Amount will be based solely on the Closing Price of the Reference Asset on each of the Observation Dates.

The return on the CDs does not necessarily reflect the full performance of the Reference Asset.

Even if the price of the Reference Asset increases during the term of the CDs relative to its Initial Price, the Maturity Redemption Amount will be based on the average of the prices of the Reference Asset as of several Observation Dates. Your return on the CDs therefore may not reflect the full performance of the Reference Asset during the term of the CDs.

Original issue discount consequences of the CDs; U.S. federal income tax consequences.

The Issuer intends to treat the CDs as "contingent payment debt instruments" for U.S. federal income tax purposes. U.S. Holders (as defined under "Certain U.S. federal income tax considerations") will be required to include in their taxable income for each year an amount of ordinary income equal to the OID on the CDs for that year. Only the OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on the CDs until maturity.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the "comparable yield" of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

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

Prospective depositors should see "Certain U.S. federal income tax considerations" below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

There is no current secondary market for the CDs.

The CDs will not be listed on any securities exchange or quotation system, and as a result, it is unlikely that a secondary market for the CDs will develop. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the CDs easily, and you may only be able to sell your CDs, if at all, at a price less than the Principal Amount of your CDs. These CDs are designed to be held to maturity.

Adverse economic interests to depositors.

HSBC Bank USA, N.A. is the Calculation Agent and will be solely responsible for the determination and calculation of the CD's Maturity Redemption Amount (including the components thereof in connection with Interest Payment Amount) and any other determinations and calculations in connection with the CDs. Because the Issuer is the Calculation Agent, it may have economic interests adverse to those of the depositors, including with respect to certain determinations and judgments that the Calculation Agent must make in determining, for example, the Interest Payment Amount, if any, on any Interest Payment Date or if a Market Disruption Event has occurred. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

The CDs are subject to the credit risk of HSBC.

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

The Estimated Initial Value of the CDs, which will be determined by us on the Trade Date, will be less than the Issue Price and may differ from the market value of the CDs in the secondary market, if any.

The Estimated Initial Value of the CDs will be calculated by us on the Trade Date and will be less than the Issue Price. The Estimated Initial Value will reflect a fixed-income component with the same maturity as the CDs, valued using an implied borrowing rate and the value of the embedded derivatives. The value of the embedded derivatives will be determined by reference to our or our affiliates' internal pricing models. These pricing models consider certain assumptions and variables, which can include volatility and interest rates. Different pricing models and assumptions could provide valuations for the CDs that are different from our Estimated Initial Value. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. The implied borrowing rate will be based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing costs of the CDs. Our use of an implied borrowing rate and any potential changes to these rates may have an adverse effect on the terms of the CDs and any secondary market prices of the CDs.

The price of your CDs in the secondary market, if any, immediately after the Trade Date will be less than the Issue Price.

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

If we were to repurchase your CDs immediately after the Settlement Date, the price you receive may be higher than the Estimated Initial Value of the CDs.

Assuming that all relevant factors remain constant after the Settlement Date, the price at which we may initially buy or sell the CDs in the secondary market, if any, and the value that we may initially use for customer account statements, if we provide any customer account statements at all, may exceed the Estimated Initial Value on the Trade Date for a temporary period expected to be approximately 15 months after the Settlement Date. This temporary price difference may exist because, in our discretion, we may elect to effectively reimburse to investors a portion of the estimated cost of hedging our obligations under the CDs and other costs in connection with the CDs that we will no longer expect to incur over the term of the CDs. We will make such discretionary election and determine this temporary reimbursement period on the basis of a number of factors, including the tenor of the CDs and any agreement we may have with the distributors of the CDs. The amount of our estimated costs which we effectively reimburse to investors in this way may not be allocated ratably throughout the reimbursement period, and we may discontinue such reimbursement at any time or revise the duration of the reimbursement period after the Settlement Date of the CDs based on changes in market conditions and other factors that cannot be predicted.

Equity market risks may affect the trading value of the CDs and the amount due on the CDs

We expect that the price of the Reference Asset will fluctuate in accordance with the value of equity securities generally and other factors. The financial condition of the issuers of the stocks or other securities tracked by the Underlying Index may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the value of the Reference Asset and thereby affect the value of the CDs. Equity securities 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 Reference Asset and issuers of stocks or other securities tracked by the Underlying Index 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 price of the Reference Asset may be expected to fluctuate until the maturity date.

There is limited anti-dilution protection.

For certain events affecting shares of the Reference Asset, such as stock splits or extraordinary dividends, the Calculation Agent may make adjustments to the relevant level of the Reference Asset (see "Description of the CDs—Potential Adjustment Events" in the accompanying Base Disclosure Statement). However, the Calculation Agent is not required to make an adjustment for every corporate action which affects the shares of the Reference Asset. If an event occurs that does not require the Calculation Agent to adjust the level of the Reference Asset, the market price of the CDs and the value of the CDs may be materially and adversely affected.

In some circumstances, the maturity date of the CDs can be accelerated.

Following certain Fund Share Alteration Events with respect to the Reference Asset or shares of the Reference Asset, the Calculation Agent may, in its sole discretion, accelerate the Maturity Date of the CDs (see "Description of the CDs—Potential Adjustment Events" in the accompanying Base Disclosure Statement). In such circumstances, investors will receive the greater of: (a) the then-current market value of the CDs, as determined by the Calculation Agent in good faith, based on its financial models and objective market factors and (b) the principal amount of the CDs. The CDs so accelerated will not be entitled to any future Interest Payment Amount or any other similar amounts in respect of the CDs not yet due and payable.

As a holder of the CDs, you will not have any ownership interest or rights in the stocks or other securities included in the Underlying Index.

As a holder of the CDs, you will not have any ownership interest or rights in any stocks or other securities included in the Underlying Index, such as voting rights, dividend payments or other distributions. In addition, the sponsor of the Underlying Index (the "Reference Sponsor") will not have any obligation to consider your interests as a holder of the CDs in taking any action that might affect the value of the Underlying Index, the Reference Asset and the CDs.

Changes that affect the Reference Asset or the Underlying Index may affect the price of the Reference Asset and the market value of the CDs and the amount you will receive at maturity.

The policies of the Reference Sponsor concerning additions, deletions and substitutions of the constituents comprising the Reference Asset or the Underlying Index, as applicable, and the manner in which the Reference Sponsor takes account of certain changes affecting those constituents included in the Reference Asset or the Underlying Index may affect the price of the Reference Asset. The policies of the Reference Sponsor with respect to the calculation of the Reference Asset or the Underlying Index, as applicable, could also affect the price of the Reference Asset. The Reference Sponsor may discontinue or suspend calculation or dissemination of the Reference Asset or the Underlying Index, as applicable. Any such actions could affect the price of the Reference Asset and the value of the CDs.

We or our affiliates are not affiliated with the Reference Sponsor.

We or our affiliates are not affiliated with the Reference Sponsor. We assume no responsibility for, and make no representation regarding, the adequacy or completeness of the information about Underlying Index contained herein. You should make your own investigation into the Reference Sponsor, the Underlying Index and the Reference Asset.

Our or our affiliates business activities relating to the stocks or securities tracked by the Underlying Index may create conflicts of interest with you.

We or our affiliates, at the time of any offering of the CDs or in the future, may engage in business with any company that has stocks or securities that are tracked by the Underlying Index, including making loans to, equity investments in, or providing investment banking, asset management, or other services to those companies, their affiliates, and their competitors. In connection with these activities, we or our affiliates may receive information about those companies that we will not divulge to you or other third parties. We or our affiliates have published, and in the future may publish, research reports on one or more of these companies. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding your CDs. Any of these activities may affect the market value of the CDs. We do not make any representation to any purchasers of the CDs regarding any matters whatsoever relating to the stocks included in the Underlying Index. Any prospective purchaser of the CDs should undertake an independent investigation of the Reference Asset and the Underlying Index as in its judgment is appropriate to make an informed decision regarding an investment in the CDs. The selection of Reference Asset does not reflect any investment recommendations from us.

The Reference Asset and the Underlying Index are different.

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

Owning the CDs is not the same as owning the Reference Asset or the stocks comprising the Underlying Index.

The return on your CDs may not reflect the return you would realize if you actually owned the Reference Asset or stocks included in the Underlying Index. As a holder of the CDs, you will not have voting rights or rights to receive dividends or other distributions or other rights that holders of the Reference Asset or the stocks included in the Underlying Index would have.

The Reference Asset is subject to management risk.

The Reference Asset is 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, utilizing a ‘‘passive’’ or indexing investment approach, it attempts to approximate the investment performance of the Underlying Index by investing in a portfolio of securities that generally replicate the Underlying Index. In addition, the Reference Asset is subject to the risk that the investment strategy of its investment advisor may not produce the intended results.

A low volatility index may still be volatile.

While Underlying Index has been designed in part to mitigate the effects of volatility, there is no assurance that it will be successful in doing so. It is also possible that the features of the Underlying Index designed to address the effects of volatility will instead adversely affect the return of the Reference Asset and, consequently, the return on your CDs.

The Reference Asset and the Underlying Index have limited actual historical information.

The Reference Asset was created in May 2011 and the Underlying Index was created in April 2011. Because both the Reference Asset and the Underlying Index are of recent origin and limited actual historical performance data exists with respect to them, your investment in the CDs may involve a greater risk than investing in CDs linked to an ETF with a more established record of performance. Past performance of the Reference Asset and Underlying Index are not indicative of future results.

DESRIPTION OF THE CERTIFICATES OF DEPOSIT

The following information is a summary of the CD itself and the Index to which the CD is linked. Prospective depositors should also carefully review the "Description of the CDs" section in the Base Disclosure Statement. All disclosures contained in these Terms and Conditions regarding the Index, including its composition, method of calculation, historical prices and changes in its components, are derived from publicly available information prepared by the Index Sponsor.

Adjustments to Observation Dates

If an Observation Date is not a Scheduled Trading Day, then the Observation Date will be the next day that is a Scheduled Trading Day. If a Market Disruption Event with respect to the Reference Asset exists on an Observation Date, then the Observation Date will be the next Scheduled Trading Day on which a Market Disruption Event does not exist. If a Market Disruption Event exists on five consecutive Scheduled Trading Days, then that fifth Scheduled Trading Day will be the Observation Date, and the Calculation Agent will determine the Closing Price on that date in good faith and in its sole discretion. If the final Observation Date is postponed, then the Maturity Date will also be postponed until the third business day following the postponed final Observation Date and no interest will be payable in respect of such postponement.

Maturity Redemption Amount and Interest Payment Amount

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal (A) the Principal Amount of the CD plus (B) the Interest Payment Amount. The Interest Payment Amount will be equal to the Principal Amount multiplied by the Final Return, as described in the Summary of Terms above and the "Maturity Redemption Amount" section in the Base Disclosure Statement. The Final Return will be equal to (1) the quotient of (A) the Average Closing Price minus the Initial Price, divided by (B) the Initial Price, multiplied by (2) the Participation Rate. The Average Closing Price is the arithmetic average of the Closing Prices of the Reference Asset on each Observation Date. The Interest Payment Amount will be equal to the Principal Amount multiplied by the greater of (1) 0.00% or (2) the Final Return. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Interest Payment Amount will not include dividends paid on the common stocks included in the Underlying Index. Apart from Interest Payment Amount, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see "Summary of Terms" above and "Sensitivity Analysis" below.

Market Disruption Events

If a Market Disruption Event occurs on an Observation Date, then the Observation Date shall be postponed as described in "Adjustments to Observation Dates" above, "Summary of Terms–Market Disruption Event" above and the "Description of the CDs–Market Disruption Events" section of the Base Disclosure Statement.

Successor Option

Notwithstanding anything to the contrary in the Base Disclosure Statement, in the event of the death or adjudication of incompetence of any depositor of a CD, the redemption of the principal amount of the CDs, plus any Interest Due, of that depositor will be permitted, without any Early Redemption Fee or Early Withdrawal Charge, subject to the limits and restrictions described herein (such right to redeem the deposit shall be referred to as the "Successor Option"). In such circumstances, a written notice of the proposed redemption must be given to the depositor's Agent and the Issuer, together with appropriate documentation to support the request, each within 180 days of the death or adjudication of incompetence of the depositor. Such depositor (i) must have owned the CDs being submitted for early redemption at the time of his or her death or adjudication of incompetence and (ii) must have been the initial depositor of the CDs (excluding any Agents) (such depositor, the "Initial Depositor"). If the foregoing conditions are not met, redemptions of any principal amount of CDs prior to maturity will be subject to the terms of the section in these Terms and Conditions entitled "Early Redemption by Depositor" and the terms of the section in the Base Disclosure Statement entitled "Depositor Redemption". CDs that are redeemed early will not be entitled to any future interest, or other sum that would otherwise have been due and payable after the date of redemption of the CDs if the Successor Option had not been exercised.

These CDs are Limited Successor Option CDs (as defined below). As such, the redemption of the aggregate principal amount under the Successor Option provision across all Limited Successor Option CDs held by an Initial Depositor may not exceed the Successor Option Limit Amount (as defined below). Any redemption request in excess of this amount shall be subject to the terms of the section in these Terms and Conditions entitled "Early Redemption by Depositor" and the terms of the section in the Base Disclosure Statement entitled “Depositor Redemption”. In addition, if redemption is requested from more than one issuance or by more than one beneficiary of Limited Successor Option CDs, the Successor Option Limit Amount will be applied to the aggregate of all such multiple redemption requests, and shall be applied to such redemption requests in the order received by the Issuer.

“Limited Successor Option CDs” are any certificates of deposit designated as such in the applicable Terms and Conditions. The “Successor Option Limit Amount” is $1,000,000. In the event the Initial Depositor has purchased Limited Successor Option CDs with different Successor Option Limit Amounts, the Successor Option Limit Amount applicable to the aggregate amount of such CDs being simultaneously redeemed will be the highest Successor Option Limit Amount applicable to any of such Limited Successor Option CDs.

Early Redemptions by Depositor

Although not obligated to do so, and subject to regulatory constraints, the Issuer or its affiliate is generally willing to repurchase or purchase the CDs from depositors upon request as described herein and for so long as the CDs are outstanding. Please refer to the section herein entitled “Summary of Terms—Early Redemption by Depositor” and the “Early Redemptions” section of the Base Disclosure Statement.

Redemption upon the death or adjudication of incompetence of a Depositor

Please refer to the section herein entitled “Summary of Terms – Successor Option” and the section entitled “Redemption upon the Death or Adjudication of a Depositor” in the Base Disclosure Statement.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Issuer is the Calculation Agent with regard to the CDs and is solely responsible for the determination and calculation of the Maturity Redemption Amount, the Final Return, and any other determinations and calculations with respect to any distributions of cash in connection with the CDs, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Reference Asset. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on the Issuer and depositors of the CDs, absent manifest error and provided that the Calculation Agent shall be required to act in good faith in making any determination or calculation. If the Calculation Agent uses discretion to make a determination or calculation, the Calculation Agent will notify the Issuer, who will provide notice to DTC in respect of the CDs. The Calculation Agent may have economic interests adverse to those of the depositors of the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Average Closing Prices, the Initial Price, the Maturity Redemption Amount and the Final Return, in determining whether a Market Disruption Event has occurred, and in making certain other determinations with regard to the Reference Asset. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own willful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with any depositor of CDs. The Calculation Agent may resign at any time; however, resignation will not take effect until a successor Calculation Agent has been appointed.

ILLUSTRATIVE EXAMPLES

The following examples are provided for illustration purposes only and are hypothetical; they do not purport to be representative of every possible scenario concerning increases or decreases in the return of the CDs. We cannot predict the Closing Prices of the Reference Asset on any Observation Date. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical initial prices of the Reference Asset used in the illustrations below is not the actual Initial Price of the Reference Asset. You should not take these examples as an indication or assurance of the expected performance of the Reference Asset or the CDs.

The following examples indicate how the Maturity Redemption Amount would be calculated with respect to a hypothetical $1,000 deposit in the CDs. These examples assume that there is no early redemption, that the CDs are held to maturity, that the Participation Rate is 110.00%, the mid-point of the Participation Rate range, and that the Initial Price of the PowerShares® S&P 500® Low Volatility Portfolio ETF (ticker: SPLV UP Equity) Index is 40.00. The actual Initial Price will be determined on the Trade Date.

<u>Example 1</u>: The Reference Asset increases in value over the term of the CDs.

Observation Date	Closing Price
Initial Price:	**40.00**
1	41.00
2	42.00
3	43.00
4	44.00
5	45.00
6	46.00
7	47.00
8	48.00
9	49.00
10	50.00
11	51.00
12	52.00
13	53.00
14	54.00
15	55.00
16	56.00
17	57.00
18	58.00
19	59.00
20	60.00
21	61.00
22	62.00
23	63.00
24	64.00
25	65.00
26	66.00
Average Closing Price:	**53.50**
Averaging Return:	**33.75%**
Participation Rate:	**110.00%**
Final Return:	**37.13%**

Here, on the Maturity date, you will receive the Final Return of 37.13%. The total return will correspond to 4.98% APY.

At maturity, depositors will receive the Maturity Redemption Amount, which will equal the Principal Amount, plus the Interest Payment Amount. The Interest Payment Amount equals the Principal Amount multiplied by the Final Return. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal $1,000 plus $1,000 multiplied by 37.13%.

Example 1 shows that where the Final Return is greater than zero, the depositor will be paid a return based on the Final Return.

In addition, Example 1 shows that the Average Closing Price may be less than the Closing Price of the Reference Asset on the final Observation Date. In that case the Maturity Redemption Amount does not reflect the full performance of the Reference Asset during the term of the CDs (i.e. does not reflect the full performance measured as the difference between the Initial Price and the Closing Price on the final Observation Date).

<u>Example 2</u>: The Reference Asset decreases in value over the term of the CDs.

Observation Date	Closing Price
Initial Price:	**40.00**
1	39.00
2	38.00
3	37.00
4	36.00
5	35.00
6	34.00
7	33.00
8	32.00
9	31.00
10	30.00
11	29.00
12	28.00
13	27.00
14	26.00
15	25.00
16	24.00
17	23.00
18	22.00
19	21.00
20	20.00
21	19.00
22	18.00
23	17.00
24	16.00
25	15.00
26	14.00
Average Closing Price:	**26.50**
Averaging Return:	**-33.75%**
Participation Rate:	**110.00%**
Final Return:	**-37.12%**

Here, on the Maturity Date you will receive a return of 0%, corresponding to 0% APY.

At maturity, depositors will receive the Maturity Redemption Amount, which will equal the Principal Amount, plus the Interest Payment Amount. The Interest Payment Amount equals the Principal Amount multiplied by the Final Return. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal $1,000 plus $1,000 multiplied by -37.12%. Since the Final Return is negative, the CDs would pay zero return at maturity.

Example 2 shows that where the Final Return is negative, the depositor will receive only the Principal Amount, which may be less than the rate that the depositor would have received if he or she had purchased a conventional CD or debt security.

<u>Example 3</u>: The Reference Asset is mixed and mostly increases in value over the term of the CDs.

Observation Date	Closing Price
Initial Price:	**40.00**
1	41.00
2	42.00
3	43.00
4	44.00
5	45.00
6	46.00
7	47.00
8	48.00
9	49.00
10	50.00
11	49.00
12	48.00
13	47.00
14	46.00
15	45.00
16	44.00
17	43.00
18	42.00
19	41.00
20	40.00
21	39.00
22	38.00
23	37.00
24	36.00
25	37.00
26	38.00
Average Closing Price:	**43.27**
Averaging Return:	**8.17%**
Participation Rate:	**110.00%**
Final Return:	**8.99%**

Here, on the Maturity date, you will receive the Final Return of 8.99%. The total return will correspond to 1.33% APY.

At maturity, depositors will receive the Maturity Redemption Amount, which will equal the Principal Amount, plus the Interest Payment Amount. The Interest Payment Amount equals the Principal Amount multiplied by the Final Return. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal $1,000 plus $1,000 multiplied by 8.99%.

Example 3 shows that where the Final Return is greater than zero, the depositor will be paid a return based on the Final Return.

<u>Example 4</u>: The Reference Asset is mixed and mostly decreases in value over the term of the CDs.

Observation Date	Closing Price
Initial Price:	**40.00**
1	39.00
2	38.00
3	37.00
4	36.00
5	35.00
6	34.00
7	33.00
8	32.00
9	31.00
10	30.00
11	31.00
12	32.00
13	33.00
14	34.00
15	35.00
16	36.00
17	37.00
18	38.00
19	39.00
20	40.00
21	41.00
22	42.00
23	43.00
24	44.00
25	45.00
26	44.00
Average Closing Price:	**36.88**
Averaging Return:	**-7.79%**
Participation Rate:	**110.00%**
Final Return:	**-8.57%**

Here, on the Maturity Date you will receive a return of 0%, corresponding to 0% APY.

At maturity, depositors will receive the Maturity Redemption Amount, which will equal the Principal Amount, plus the Interest Payment Amount. The Interest Payment Amount equals the Principal Amount multiplied by the Final Return. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal $1,000 plus $1,000 multiplied by -8.57%. Since the Final Return is negative, the CDs would pay zero return at maturity.

Example 4 shows that where the Final Return is negative, the depositor will receive only the Principal Amount, which may be less than the rate that the depositor would have received if he or she had purchased a conventional CD or debt security.

<u>Sensitivity analysis</u>: Hypothetical Payment at Maturity for Each $1,000 CD

The table below illustrates the payment at maturity (including, where relevant, the payment in respect of the Final Return) on a $1,000 CD for a hypothetical range of the quotient of (A) the Average Closing Price minus the Initial Price, divided by (B) the Initial Price of the Reference Asset from -80.00% to +80.00%. The following results are based solely on the hypothetical examples cited. You should consider carefully whether the CDs are suitable to your financial objectives. The numbers appearing in the table below have been rounded for ease of analysis.

(Average Closing Price - Initial Price) / Initial Price	Final Return (assumed Participation Rate of 110.00%)	The greater of (a) zero and (b) principal x the Final Return	Principal	Payment at Maturity	APY
80%	88.00%	$880	$1,000	$1,880	10.20%
70%	77.00%	$770	$1,000	$1,770	9.18%
60%	66.00%	$660	$1,000	$1,660	8.11%
50%	55.00%	$550	$1,000	$1,550	6.97%
40%	44.00%	$440	$1,000	$1,440	5.77%
30%	33.00%	$330	$1,000	$1,330	4.49%
20%	22.00%	$220	$1,000	$1,220	3.11%
10%	11.00%	$110	$1,000	$1,110	1.62%
0%	0.00%	$0	$1,000	$1,000	0.00%
-10%	-11.00%	$0	$1,000	$1,000	0.00%
-20%	-22.00%	$0	$1,000	$1,000	0.00%
-30%	-33.00%	$0	$1,000	$1,000	0.00%
-40%	-44.00%	$0	$1,000	$1,000	0.00%
-50%	-55.00%	$0	$1,000	$1,000	0.00%
-60%	-66.00%	$0	$1,000	$1,000	0.00%
-70%	-77.00%	$0	$1,000	$1,000	0.00%
-80%	-88.00%	$0	$1,000	$1,000	0.00%

The table above assumes that the Participation Rate is 110.00%. Because the minimum return per $1,000 CD will not be less than zero, you will always receive at maturity at least $1,000.00 per $1,000 CD.

The CDs are intended to be long term deposits and, as such, should be held to maturity. They are not intended to be short-term trading instruments. The price at which you will be able to sell your CDs prior to maturity may be substantially less than the principal amount of the CDs, even in cases where the Reference Asset has appreciated since the Initial Fixing Date of the CDs. The potential returns described here assume that your CDs are held to maturity.

THE DISTRIBUTION

Please refer to the section entitled "The Distribution" in the Base Disclosure Statement.

FDIC INSURANCE

The following disclosures are intended to supplement and, where conflicting, supersede the disclosures regarding deposit insurance herein and in the accompanying Base Disclosure Statement dated March 1, 2011, including the section entitled FDIC Insurance included therein.

The CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund (the "DIF"), which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount for all deposits held in the same ownership capacity per depository institution (the "Maximum Insured Amount"), which in general, is $250,000. The maximum amount of deposit insurance available in the case of deposits in certain retirement accounts (the "Maximum Retirement Account Amount") also is $250,000 per participant per insured depository institution. The Maximum Insured Amount and the Maximum Retirement Account Amount may be adjusted for inflation beginning April 1, 2010 and each fifth year thereafter. Accordingly, holders of CDs whose Principal Amount Interest Payment Amount, if any, that exceed the applicable federal deposit insurance limit will not be insured by the FDIC for the Principal Amount Interest Payment Amount, if any, exceeding such limits. Any accounts or deposits a holder maintains directly with the Issuer in the same ownership capacity as such holder maintains its CDs would be aggregated with such CDs for purposes of the Maximum Insured Amount or the Maximum Retirement Account Amount, as applicable.

All funds in a "noninterest-bearing transaction account" are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules. The term "noninterest-bearing transaction account" includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest and Interest on Lawyers Trust Accounts (IOLTAs). It does not include other accounts, such as traditional checking or demand deposit accounts that may earn interest, NOW accounts and money-market deposit accounts. For more information about temporary FDIC insurance coverage of transaction accounts, visit www.fdic.gov.

You should not rely on the availability of FDIC insurance to the extent the Principal Amount of CDs and any unpaid return in excess of the Principal Amount which, together with any other deposits that you maintain with us in the same ownership capacity, is in excess of the applicable FDIC insurance limits. The FDIC has taken the position that any secondary market premium paid by you in excess of the Principal Amount is not covered by FDIC insurance. In addition, the FDIC may also take the position that no portion of the return in excess of the Principal Amount for any interest period is insured unless the total applicable return in excess of the Principal Amount for that interest period has been determined at the point that FDIC insurance payments become necessary.

You are responsible for determining and monitoring the FDIC insurance coverage limits that are applicable to you in purchasing any CDs. We do not undertake to determine or monitor the FDIC insurance coverage that may be available to you. You should make your own investment decision regarding the CDs and FDIC insurance coverage after consulting with your legal, tax, and other advisors. Please consult with your attorney or tax advisor to fully understand all of the legal consequences associated with any account ownership change you may be considering to maximize your deposit insurance coverage. Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below, particularly for revocable trusts, and for other forms of ownership as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

The application of the federal deposit insurance limitation per depository institution in certain common factual situations is illustrated below. Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

- *Individual Customer Accounts.* Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the CDs held in a brokerage account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same legal capacity and are insured up to the Maximum Insured Amount in the aggregate.
- *Custodial Accounts.* Funds in accounts held by a custodian, guardian or conservator (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same legal capacity and are insured up to the Maximum Insured Amount in the aggregate.

- *Joint Accounts.* The interest of each co-owner in funds in an account held under any form of joint ownership valid under applicable state law may be insured up to the Maximum Insured Amount in the aggregate with other jointly held funds of such co-owner, separately and in addition to the Maximum Insured Amount allowed on other deposits individually owned by any of the co-owners of such account (hereinafter referred to as a "Joint Account"). Joint Accounts will be insured separately from such individually owned accounts only if each of the co-owners is an individual person, has a right of withdrawal on the same basis as the other co-owners and has signed the deposit account signature card (unless the account is a CD or is established by an agent, nominee, guardian, custodian, executor or conservator). If the Joint Account meets the foregoing criteria then it will be deemed to be jointly owned; as long as the account records of the Issuer are clear and unambiguous as to the ownership of the account. However, if the account records are ambiguous or unclear as to the manner in which the account is owned, then the FDIC may consider evidence other than such account records to determine ownership. The names of two or more persons on a deposit account will be conclusive evidence that the account is a Joint Account unless the deposit records as a whole are ambiguous and some other evidence indicates that there is a contrary ownership capacity. In the event an individual has an interest in more than one Joint Account and different co-owners are involved, his or her interest in all of such Joint Accounts (subject to the limitation that such individual's insurable interest in any one account may not exceed the Maximum Insured Amount divided by the number of owners of such account) is then added together and insured up to the Maximum Insured Amount in the aggregate, with the result that no individual's insured interest in the joint account category can exceed the Maximum Insured Amount. For deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account unless otherwise stated in the Issuer's records.
- *Entity Accounts.* The deposit accounts of any corporation, partnership or unincorporated association that is operated primarily for some purpose other than to increase deposit insurance are added together and insured up to the Maximum Insured Amount in the aggregate per depository institution.
- *Retirement and Employee Benefit Plans and Accounts.*
  - *Generally.* You may have interests in various retirement and employee benefit plans and accounts that are holding deposits of the Issuer. The amount of deposit insurance you will be entitled to will vary depending on the type of plan or account and on whether deposits held by the plan or account will be treated separately or aggregated with the deposits of the Issuer held by other plans or accounts. It is therefore important to understand the type of plan or account holding the CD. The following sections entitled "Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits" and "Aggregation of Retirement and Employee Benefit Plans and Accounts" generally discuss the rules that apply to deposits of retirement and employee benefit plans and accounts.
  - *Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits.* Subject to the limitations discussed below, under FDIC regulations, an individual's non-contingent interest in the deposits of one depository institution held by certain types of employee benefit plans are eligible for insurance on a "pass-through" basis up to the applicable deposit insurance limits for that type of plan. This means that, instead of an employee benefit plan's deposits at one depository institution being entitled to deposit insurance based on its aggregated deposits in the Issuer, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan's deposits of up to the applicable deposit insurance limits per institution (subject to the aggregation of the participant's interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the deposit insurance allowed on other deposits held by the individual at the issuing institution. However, pass-through insurance is aggregated across certain types of accounts. See the section entitled "Aggregation of Retirement and Employee Benefit Plans and Accounts."
  - A deposit held by an employee benefit plan that is eligible for pass-through insurance is not insured for an amount equal to the number of plan participants multiplied by the applicable deposit insurance limits. For example, assume an employee benefit plan that is a Qualified Retirement Account (defined below), i.e., a plan that is eligible for deposit insurance coverage up to the Maximum Retirement Account Amount per qualified beneficiary, owns $500,000 in deposits at one institution and the plan has two participants, one with a vested non-contingent interest of $350,000 and one with a vested non-contingent interest of $150,000. In this case, the individual with the $350,000 interest would be insured up to the $250,000 Maximum Retirement Account Amount limit, and the individual with the $150,000 interest would be insured up to the full value of such interest.
  - Moreover, the contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee defined benefit plan are not insured on a pass-through basis. Any interests of an employee in an employee benefit plan deposit which are not capable of evaluation in accordance with FDIC rules (i.e., contingent interests) will be aggregated with the contingent interests of other participants and insured up to the applicable deposit insurance limits. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to the applicable deposit insurance limits separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

- *Aggregation of Retirement and Employee Benefit Plans and Accounts.*
  - *Self-Directed Retirement Accounts.* The principal amount of deposits held in Qualified Retirement Accounts, plus accrued but unpaid interest, if any, are protected by FDIC insurance up to a maximum of the Maximum Retirement Account Amount for all such deposits held by you at the issuing depository institution. “Qualified Retirement Accounts” consist of (i) any individual retirement account (“IRA”), (ii) any eligible deferred compensation plan described in section 457 of the Code, (iii) any individual account plan described in section 3(34) of ERISA, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts and (iv) any plan described in section 401(d) of the Code, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts. The FDIC sometimes generically refers to this group of accounts as “self-directed retirement accounts.” Supplementary FDIC materials indicate that Roth IRAs, self-directed Keogh Accounts, Simplified Employee Pension plans, Savings Incentive Match Plans for Employees and self-directed defined contribution plans (such as 401(k) plans) are intended to be included within this group of Qualified Retirement Accounts. Coverdell education savings accounts, Health Savings Accounts, Medical Savings Accounts, accounts established under section 403(b) of the Code and defined-benefit plans are NOT Qualified Retirement Accounts and do NOT receive the Maximum Retirement Account Amount of federal deposit insurance.
  - *Other Employee Benefit Plans.* Any employee benefit plan, as defined in Section 3(3) of ERISA, plan described in Section 401(d) of the Code, or eligible deferred compensation plan under section 457 of the Code, that does not constitute a Qualified Retirement Account – for example, certain employer-sponsored profit sharing plans -- can still satisfy the requirements for pass-through insurance with respect to non-contingent interests of individual plan participants, provided that FDIC requirements for recordkeeping and account titling are met (“Non-Qualifying Benefit Plans”). Defined contribution plan accounts and Keogh accounts that are not “self-directed” also generally would be treated as Non-Qualifying Benefit Plans. For Non-Qualifying Benefit Plans, the amount subject to federal deposit insurance is the Maximum Insured Amount. Under FDIC regulations, an individual’s interests in Non-Qualifying Benefit Plans maintained by the same employer or employee organization (e.g., a union) which are holding deposits at the same institution will be insured up to the Maximum Insured Amount in the aggregate, separate from other accounts held at the same depository institution in other ownership capacities.
- This general rule regarding pass-through insurance is subject to the following limitations and exceptions:
  - *Total Coverage Might Not Equal the Maximum Retirement Account Amount Times the Number of Participants.* Each deposit held by an employee benefit plan may not necessarily be insured for an amount equal to the number of participants multiplied by the Maximum Retirement Account Amount. For example, suppose an employee benefit plan owns $500,000 in CDs at one institution. Suppose, further, that the employee benefit plan has two participants, one with a vested non-contingent interest of $300,000 and one with a vested non-contingent interest of $200,000. The individual with the $300,000 interest would be insured up to the $250,000 Maximum Retirement Account Amount limit and the individual with the $200,000 interest would be insured up to the full value of such interest.
  - *Aggregation.* An individual’s non-contingent interests in funds deposited with the same depository institution by different employee benefit plans of the same employer or employee organization are aggregated for purposes of applying this pass-through Maximum Retirement Account Amount per participant deposit insurance limit, and are insured in aggregate only up to the Maximum Retirement Account Amount per participant.
  - *Contingent Interests/Overfunding.* Any portion of an employee benefit plan’s deposits that is not attributable to the non-contingent interests of employee benefit plan participants is not eligible for pass-through deposit insurance coverage, and is insured, in aggregate, only up to the Maximum Insured Amount.

To the extent that a CD purchaser expects its beneficial interest in the CDs to be fully covered by FDIC insurance, such purchaser, by purchasing a CD, is deemed to represent to the Issuer and its broker that its beneficial interest (or if it is an agent, nominee, custodian or other person who is purchasing a CD for its beneficial owners, that each beneficial owner’s beneficial interest) in other deposits in the Issuer, when aggregated with the beneficial interest in the CD so purchased, to the extent that aggregation is required in determining insurance of accounts under the federal deposit insurance regulations, does not exceed the Maximum Insured Amount (or the Maximum Retirement Account Amount per participant in the case of certain retirement accounts as described above).

Payments Under Adverse Circumstances

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

As explained above, the deposit insurance limits apply to the principal and any interest that has been ascertained and become due on all CDs and other deposit accounts maintained by you at the Issuer in the same legal ownership category. The records maintained by the Issuer and your broker regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to your Broker before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

In the event that insurance payments become necessary for your CDs, the FDIC is required to pay the original Principal Amount and Interest Payment Amount that have been ascertained and become due subject to the federal deposit insurance limits. No Interest Payment Amount will be earned on deposits from the time the Issuer is closed until insurance payments are received.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. Your Broker will advise you of your options in the event of a deposit transfer.

Your broker will not be obligated to you for amounts not covered by deposit insurance nor will your broker be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal of your CD prior to its stated maturity, or (iii) payment in cash of the principal of your CD prior to its stated maturity in connection with the liquidation of the Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD which had been purchased at a premium in the secondary market is based on the original Principal Amount and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, your broker will not be obligated to credit your account with funds in advance of payments received from the FDIC.

CERTAIN ERISA CONSIDERATIONS

Please refer to the section entitled “Certain ERISA Considerations” in the Base Disclosure Statement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of a CD that is:

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

An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

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

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THE FOLLOWING DISCUSSION OF U.S. FEDERAL INCOME TAX MATTERS AND ANY OTHER DISCUSSIONS OF U.S. FEDERAL INCOME TAX MATTERS CONTAINED IN THIS TERMS AND CONDITIONS (A) WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVISE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX-RELATED PENALTIES THAT MAY BE

IMPOSED ON SUCH PERSON, AND (B) WERE WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE CDs BY THE BANK AND THE AGENTS. EACH PERSON CONSIDERING AN INVESTMENT IN THE CDs SHOULD SEEK ADVICE BASED ON SUCH PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE PURCHASERS OF THE CDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CDs.

In General

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

The Issuer will not attempt to ascertain whether any of the entities whose stock is included in the Reference Asset would be treated as a passive foreign investment company ("PFIC") or United States real property holding corporation ("USRPHC"), both as defined for U.S. federal income tax purposes. If any entity whose stock is included in the Reference Asset were so treated, certain adverse U.S. federal income tax consequences might apply to a U.S. Holder in the case of a PFIC and to a Non-U.S. Holder in the case of a USRPHC. You should refer to information filed with the SEC and other authorities by any entity whose stock is included in the Reference Asset, and consult your tax advisor regarding the possible consequences to you if any entity whose stock is included in the Reference Asset is or becomes a PFIC or a USRPHC.

Tax Treatment of U.S. Holders

Accrual of Original Issue Discount

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

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

Based on these factors, the Issuer estimates that the comparable yield on the CDs, solely for U.S. federal income tax purposes, is 1.93% per annum (compounded annually). However, the actual comparable yield may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.

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

The Issuer also is obligated by applicable U.S. federal income tax regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule for the CDs that reflects a projected payment at maturity and that produces the comparable yield. In accordance with the noncontingent bond method, the projected payment schedule will consist of one payment at maturity equal to $1,132.41 on the Maturity Date in respect of each deposit of $1,000. However, the actual projected payment schedule may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions. Based upon the estimates of the comparable yield and the projected payment schedule for the CDs, a US Holder that pays taxes on a calendar year basis, and buys a CD for $1,000 and holds it to maturity, will be required to pay taxes on the following amounts of ordinary income from the CD each year: $3.38 for 2013, $19.37 for 2014, $19.74 for 2015, $20.12 for 2016, $20.51 for 2017, $20.90 for 2018, $21.31 for 2019 and $7.08 for 2020. However, for 2020, the amount of ordinary income that a US Holder will be required to pay taxes on from owning a CD may be greater or less than $7.08, depending on the payment at maturity. In addition, if the payment at maturity is less than $1,132.41 a US Holder may have a loss for 2020.

Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the CDs are outstanding. A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by the Issuer for the CDs. However, if a U.S. Holder believes that the projected payment schedule is unreasonable, a U.S. Holder must determine the comparable yield and set its own projected payment schedule for the CD and explicitly disclose the use of such schedule and the reason therefore on its timely filed U.S. federal income tax return for the taxable year in which it acquires the CDs.

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

Taxation of the Maturity Redemption Amount

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

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

Sale, Exchange or Disposition of the CDs

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

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of the CDs

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

However, a “dividend equivalent” payment is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30% U.S. 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 U.S. source dividends, including payments reflecting adjustments for (extraordinary) dividends, with respect to equity-linked instruments, including the CDs, may be treated as dividend equivalents. If enacted in their current form, the regulations will impose a withholding tax on payments made on the CDs on or after January 1, 2014 that are treated as dividend equivalents. In that case, the Issuer 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 maturity, sale, exchange or other disposition of the CDs in order to minimize or avoid U.S. withholding taxes.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders

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

Information Reporting and Backup Withholding

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

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

Foreign Account Tax Compliance Act

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

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

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

ANNEX A: DESCRIPTION OF THE REFERENCE ASSET

General

These Terms and Conditions are not an offer to sell and it is not an offer to buy interests in the Reference Asset or any of the securities comprising the Underlying Index. All disclosures contained in these Terms and Conditions regarding the Reference Asset, including its make-up, method of calculation and changes in its components, are derived from publicly available information. We take no responsibility for the accuracy or completeness of any information relating to the Reference Asset contained in these Terms and Conditions.

Below is a brief description of the Reference Asset and the performance of the Reference Asset for each quarter from July 2006. The Reference Asset price information contained herein is from Bloomberg Financial Markets without independent verification by us. In addition, information regarding the Reference Asset Sponsor may have been obtained from other sources, including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. The information contained herein is furnished as a matter of information only. **Fluctuations in or prices of the Reference Asset that have occurred in the past should not be taken as indicative of fluctuations in or prices of the Reference Asset that may occur over the term of the CDs. Neither the Issuer nor any of its affiliates makes any representation as to the performance of the Reference Asset.**

We urge you to read the section “Information with Respect to Certain Reference Assets” on page 4 of the related Base Disclosure Statement.

PowerShares® S&P 500® Low Volatility Portfolio ETF

Description of the Reference Asset

We have derived all information contained in this Terms and Conditions regarding the Reference Asset, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Invesco PowerShares Capital Management LLC ("PowerShares"). The Reference Asset is an investment portfolio maintained and managed by PowerShares. The Reference Asset is an exchange traded fund ("ETF") that trades on the NYSE Arca under the ticker symbol "SPLV". We have not undertaken any independent review of, or made any due diligence inquiry with respect to, the information derived from these public sources.

PowerShares is a registered investment company that consists of numerous separate investment portfolios, including the Reference Asset. Information provided to or filed with the SEC by PowerShares pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 333-138490 and 811-21977, respectively, through the SEC's website at http://www.sec.gov. For additional information regarding PowerShares and the Reference Asset, please see the Reference Asset's prospectus, dated March 1, 2013. You can obtain the level of the Reference Asset at any time from the Bloomberg Financial Markets page "SPLV UP <Equity> <GO>" or from the PowerShares website. Information from outside sources is not incorporated by reference in, and should not be considered a part of, this Terms and Conditions.

Investment Objective and Strategy

The Reference Asset seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Underlying Index. The Reference Asset generally will invest at least 90% of its total assets in common stocks that comprise the Underlying Index. S&P Dow Jones Indices LLC ("S&P") compiles, maintains and calculates the Underlying Index. Strictly in accordance with its existing guidelines and mandated procedures, S&P selects 100 securities from the S&P 500® Index for inclusion in the Underlying Index that have the lowest realized volatility over the past 12 months as determined by S&P. Volatility is a statistical measurement of the magnitude of up and down asset price fluctuations (increases or decreases in a stock's price) over time. The Reference Asset generally invests in all of the securities comprising the Underlying Index in proportion to their weightings in the Underlying Index.

Industry Concentration Policy

The Reference Asset will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Index reflects a concentration in that industry or sector. The Reference Asset will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

Holdings Information

The following table summarizes the Reference Asset's holdings by sector as of June 30, 2013.

Sector	Percentage of Total Holdings
Utilities	29.77%
Consumer Staples	20.23%
Health Care	10.01%
Financials	19.35%
Industrials	8.54%
Information Technology	2.77%
Telecommunication Services	1.80%
Consumer Discretionary	1.97%
Materials	2.70%
Energy	2.86%

The S&P 500® Low Volatility Index

We have derived all information relating to the Underlying Index, including, without limitation, its make-up, performance, method of calculation and changes in its components, from publicly available sources. That information reflects the policies of and is subject to change by, S&P. S&P is under no obligation to continue to publish, and may discontinue or suspend the publication of the Underlying Index at any time.

S&P Publishes the S&P 500 Low Volatility Index

The Underlying Index has been calculated since April 20, 2011 and measures the performance of the 100 least volatile stocks in the S&P 500® Index. Volatility is defined as the standard deviation of the stock’s daily price returns over the prior 252 trading days. Constituents are weighted relative to the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights. The Underlying Index is designed to serve as a benchmark for low volatility or low variance strategies in the U.S. stock market and S&P may from time to time, in its sole discretion, add companies to or delete companies from the Underlying Index to achieve these objectives.

Changes in the Underlying Index are reported daily in the financial pages of many major newspapers, on Bloomberg Professional® service under the symbol “SP5LVI” and on the S&P website. Information contained in the S&P website is not incorporated by reference in, and should not be considered a part of, this document.

Construction of the Reference Asset

The methodology employs a volatility driven weighting scheme, using the divisor methodology used in all of S&P’s equity indices. There are two steps in the creation of the Underlying Index. The first is the selection of the companies; the second is the weighting of the index constituents.

To be eligible for inclusion into the Underlying Index, stocks must first become constituents in the S&P 500® Index. Relevant criteria employed by S&P for inclusion in the S&P 500® Index include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company’s common stock is generally responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company.

Additionally, to be eligible for the Underlying Index, constituents must have traded on all 252 trading days in the 12 months leading up to the rebalancing reference date.

The selection of constituents included in the Underlying Index is done as follows:

1. Using available price return data for the trailing 252 trading days leading up to each index rebalancing reference date, the volatilities of the constituents within each eligible universe are calculated.
2. Constituents are, then, ranked in ascending order based on the inverse of the realized volatility. The top 100 securities with the least volatility form the Underlying Index.

At each rebalancing, the weight for each index constituent is set inversely proportional to its volatility. Volatility is defined as the standard deviation of the security’s daily price returns over the prior 252 trading days. The Underlying Index is calculated by means of the divisor methodology used in all S&P’s equity indices. The index value is simply the index market value divided by the index divisor. In order to maintain basket series continuity, S&P also adjusts the divisor at the rebalancing.

Maintenance of the S&P 500 Low Volatility Index

Rebalancing

The Underlying Index is rebalanced after the close on the third Friday of each February, May, August and November using market data as of the last trading day of every January, April, July and October. The constituents’ shares are calculated using closing prices on the second Friday of the rebalancing month as the reference price. Index share amounts are calculated and assigned to each stock to arrive at the weights determined on the reference date. Since index shares are assigned based on prices one week prior to rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

Corporate Actions

Corporate Action	**Adjustment made to the Underlying Index**	**Divisor adjustment?**
Spin-off	Spin off companies are not added to the	See below

	Index. See below for more information.	
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Split	Index shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the Underlying Index.	The stock is dropped from the Underlying Index. This will cause the weights of the rest of the stocks in the Underlying Index to change proportionately. Additions are made to the Underlying Index only at the time of the quarterly rebalancing.	Yes

Spin-offs

Spin offs are never added to the Underlying Index and there is no weight change to the parent stock. The Price of the Parent Company is adjusted to the Price of the Parent Company minus (the Price of the Spun-off Company/Share Exchange Ratio). Index shares change so that the company's weight remains the same as its weight before the spin off. There is no index divisor change.

When the price of the spin-off is not known, the spun-off company is added to the Underlying Index at a zero price. Once the spun-off company trades, the company is dropped from the Underlying Index and the index divisor is adjusted to allow the weight of the spun-off entity to be reinvested into the Underlying Index.

Historical Performance

The following table sets forth the quarterly high and low intraday prices, as well as end-of-quarter Closing Prices, of PowerShares® S&P 500® Low Volatility Portfolio ETF for each of the quarters indicated below with the last row showing these prices from the beginning of the latest quarter through the date indicated. We have not undertaken any independent review of, or made any due diligence inquiry with respect to, the information obtained from the Bloomberg Professional® service.

Historical prices of PowerShares® S&P 500® Low Volatility Portfolio ETF should not be taken as an indication of future performance.

Quarter Ending*	Quarterly High*	Quarterly Low*	Quarterly Close*
June 30, 2011	25.58	24.34	25.03
September 30, 2011	36.56	21.90	23.70
December 31, 2011	26.08	22.78	25.93
March 31, 2012	26.83	25.57	26.80
June 30, 2012	27.58	26.10	27.58
September 30, 2012	28.42	27.22	28.17
December 31, 2012	28.66	26.72	27.68
March 31, 2013	31.08	28.02	31.08
June 30, 2013	32.73	30.07	31.12

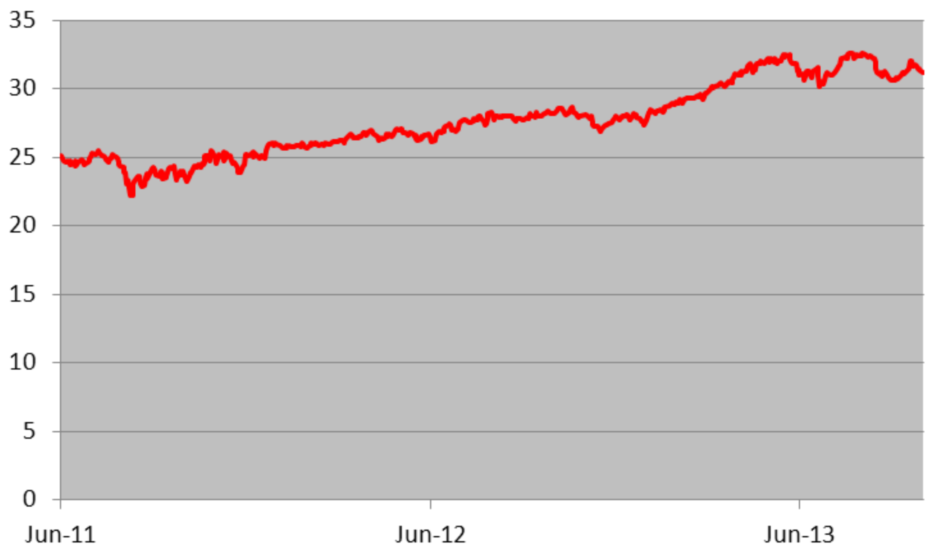
September 25, 2013	32.66	30.51	31.47

* The Reference Asset was launched on May 6, 2011. Accordingly, the "Quarterly High" and "Quarterly Low" data indicated do not reflect complete data for the second calendar quarter of 2011, and there is limited performance history for the Reference Asset.

** These Terms and Conditions include, for the last quarter in the table above, data from the date following the last date of the immediately preceding quarter through [ ], 2013. Accordingly, the "Quarterly High," "Quarterly Low" and "Quarterly Close" data indicated are for this shortened period only and do not reflect complete data for the last calendar quarter of 2013.

The following graph sets forth the historical prices of PowerShares® S&P 500® Low Volatility Portfolio ETF using monthly data obtained from Bloomberg, LP.

Historical prices of PowerShares® S&P 500® Low Volatility Portfolio ETF should not be taken as an indication of future performance.



HSBC