

HSBC ANNUAL INCOME OPPORTUNITY DEPOSIT NOTES with Auto Cap

“Morningstar Wide Moat”, SERIES 2

ORAL DISCLOSURE FOR SALES IN PERSON OR BY TELEPHONE

The Notes are subject to the federal regulations governing “*Principal Protected Notes*”. Where an investor purchases the Notes over the telephone or in person, the investor must be orally provided with the following information at the time the purchase order is taken:

Term: HSBC Annual Income Opportunity Deposit Notes with Auto Cap “Morningstar Wide Moat”, Series 2 (the “Notes”) are principal protected deposit notes issued by HSBC Bank Canada (“HSBC”) on July 29, 2011. The Notes mature on July 29, 2016 resulting in a term of approximately 5 years. The full Principal Amount of \$100 per Note will be repaid at maturity.

How interest is accrued: Annual Coupon amounts may be paid on each of the five (5) Coupon Payment Dates (July 29th each year) subject to a fixed Coupon amount of \$5.00 per Note in only the first year of the Term and a maximum annual variable Coupon amount of up to \$6.00 to \$6.50 per Note (to be determined on July 22, 2011 (the “Pricing Date”)) throughout the rest of the Term, depending upon the price performance of the following Reference Shares: *Biogen Idec Inc., Boston Scientific Group, Potash Corp of Saskatchewan, Maxim Integrated Products, Blackrock Inc., Johnson & Johnson, Harley-Davidson Inc., Vulcan Materials Co., Monsanto Co. and Applied Materials Inc.* Each annual Coupon amount will be equal to the Principal Amount times the average of all of the 10 Reference Share Returns. For each Reference Share, the “Reference Share Return” will be its price performance measured from its Initial Price to its Valuation Price on the applicable annual Valuation Date (July 22nd each year) provided that: i) if its price performance is positive, then the Reference Share Return will be deemed to be 6.00% or 6.50% (the “Cap”, which is determined on the Pricing Date), regardless of the extent that such price performance is positive or higher than the Cap, and ii) if its price performance is zero or negative, then the Reference Share Return will be its actual price performance but no less than -25%. In the first year, the Coupon Rate is fixed at 5.00% regardless if the average of all of the Reference Share Returns is higher or lower than 5.00%. Beginning in the second year and ending at maturity, there is no minimum Coupon Rate and if the average of all the ten (10) Reference Share Returns is calculated to be zero or less than zero, a Coupon will not be payable.

Fees and Expenses: The selling expenses are up to \$2.50 per Note (2.50% of the Principal Amount). These selling expenses will be paid to the selling agents or selling group members for further payment to representatives whose clients purchase the Notes (where applicable).

Risk Factors: The Notes are subject to significant risks, including the potential for lost investment opportunities. Potential investors should carefully review and consider all risks set forth in the Information Statement, including but not limited to: i) the Notes are not suitable for all investors; ii) Noteholder may only receive the fixed Coupon amount of \$5.00 per Note in the first year of the Term and there is no assurance a Noteholder will receive a Coupon in any subsequent year during the Term; iii) the maximum annual variable Coupon amount that may be payable after the first year is between \$6.00 to \$6.50 per Note (to be determined on Pricing Date); iv) the price performance of the Reference Shares are unpredictable and the historical or pro forma performance of each Reference Share is not an indication of future performance; v) the Principal Amount is protected only if Notes are held to maturity; vi) there is no guaranteed secondary market for the Notes; vii) investors in the Notes have no ownership of, or recourse to, the Reference Shares; viii) An Extraordinary Event may occur and accelerate the payment of remaining Coupon amounts (if any) and change the manner in which they are calculated; ix) Potential Adjustment Events or substitutions to a Reference Share may occur as a result of a merger, insolvency or delisting of a Reference Share; and x) you are relying solely on HSBC for payment on the Notes.

Uninsured Deposits: The Notes will not constitute deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.

Suitability: You may be suited to become a Noteholder if, among other benefits, you: (a) are looking for safety of principal if held to maturity; (b) want exposure to an investment that is linked to the performance of the Reference Shares; (c) are investing for the longer term and believe that the Reference Shares will appreciate. The Notes have certain investment characteristics that differ from conventional fixed income investments. The Notes do not provide Noteholders with a return or income stream that is calculated or determined by reference to a fixed or floating rate of interest. An investment in the Notes is not suitable for an investor looking for a return beyond the fixed Coupon amount of \$5.00 per Note in the first year of the Term.

Secondary Market: You cannot elect to receive your deposit prior to maturity. HSBC Securities (Canada) Inc., a subsidiary of HSBC intends, in normal market conditions, to use reasonable efforts to provide a secondary market price

for the Notes, but reserves the right not to do so in the future in its sole discretion. Proceeds on sale may be less than the Principal Amount. If a Noteholder chooses to sell their Notes, the amount the Noteholder will receive will be reduced by the Early Trading Charge, which will be 2.50% of the Principal Amount if you sell your Notes within the first 6 months, reducing by 1.25% every 6 months thereafter, whereby there will not be an Early Trading Charge after 12 months from the issue date.

Conflict of Interest: Because the Calculation Agent is an affiliate of HSBC, a potential conflict of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations the Calculation Agent must make and as a result of hedging activities. From time to time, HSBC or one of its affiliates may publish research reports with respect to the underlying Reference Shares that are inconsistent with the Notes. In addition, as a result of its role in the secondary market, HSBC Securities, an affiliate of HSBC, may have economic interests that are adverse to Noteholders.

Amendment to the Notes: The global deposit note filed on CDS representing the Notes may be amended without the consent of Noteholders if the amendment would not materially and adversely affect the interests of the holders, and in all other cases, if the amendment is approved by 66% of the Noteholders.

Right of Cancellation: An investor may cancel an order to purchase a Note (or cancel the purchase of a Note if the Note has been issued) by providing instructions to HSBC directly or through his or her investment advisor any time up to two days after the later of (i) the day on which the agreement to purchase the Note is entered into and (ii) deemed receipt of the Information Statement. Investors should read the Information Statement for more detailed information about their right of cancellation.

Availability of information: You may request information about the Notes or obtain a copy of this Information Statement by calling HSBC at 1-866-511-4722. A copy of the Information Statement is also posted at www.hsbcnet.com/spcanada. During the term of the Notes, you may inquire as to the net asset value of the Notes or the level of the underlying Reference Shares and how they relate to the annual variable Coupons that may be payable under the Notes, by contacting HSBC at the above number.

This is only a summary of certain terms of the Notes. You should read the Information Statement for further details on all aspects of the Notes.

The undersigned acknowledges having been verbally advised of all of the information set out above.

Client Signature

Date

Disclaimer: This document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such offer or invitation. The Notes have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons. The Notes are not being offered pursuant to and are not otherwise subject to securities laws in certain provinces or territories in Canada and have not been registered with, recommended by or approved by any securities regulatory authority in Canada. No such authority has reviewed this document or the Information Statement or approved or disapproved of the Notes or in any manner passed upon the accuracy or adequacy of the information contained therein, and no such authority will do so. This document does not purport to list or summarise all of the terms and conditions, nor to identify or define all or any of the risks that would be associated with the purchase or sale of the Notes and should be read in conjunction with the Information Statement. HSBC is not advising you in respect hereof; accordingly prior to making any investment decision, canvassing product suitability, distribution, or any related purposes, you should conduct such investigation and analysis regarding the note described herein as you deem appropriate and to the extent you deem necessary obtain independent advice from competent legal, financial, tax, accounting and other professionals, to enable you to understand and recognise fully the legal, financial, tax and other risks arising in respect of such product(s) and the distribution, purchase, holding and sale thereof. HSBC is not affiliated with any of the Reference Shares or companies associated therewith (the "Companies") and has not performed any due diligence investigation or review of them. HSBC assumes no responsibility for the adequacy of the information concerning the Companies contained in the Information Statement or publicly available. A potential investor should undertake an independent investigation of the Companies as they deem necessary to allow them to make an informed decision with respect to an investment in the Notes. The legality or suitability of the Notes has not been passed on by the Companies. The Notes are not issued by and are not financial or legal obligations of the Companies and the Companies make no warranties and bear no liabilities with respect to the Notes. HSBC is a trademark of HSBC Holdings plc and has been licensed to use by HSBC and its affiliates. © Morningstar 2011. All rights reserved. Morningstar Marks are provided under license for use herein. The Notes are not sponsored, endorsed, sold or promoted by Morningstar, and Morningstar makes no representation regarding the advisability of investing in the Notes.