

JPMorgan Chase Bank, National Association  
Structured Investments

## Certificates of Deposit Linked to the J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5% due March 28, 2024

- The certificates of deposit (“CDs”) are designed for investors who seek exposure to any appreciation of the J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5% over the term of the CDs.
- Investors should be willing to forgo interest and dividend payments, while seeking full repayment of principal at maturity.
- The CDs are issued by JPMorgan Chase Bank, National Association (“JPMorgan Chase Bank”). The CDs are insured only within the limits and to the extent described in this term sheet and in the accompanying disclosure statement. See “Selected Risk Considerations — Limitations on FDIC Insurance” in this term sheet. **Any payment on the CDs in excess of FDIC insurance limits is subject to the credit risk of JPMorgan Chase Bank.**
- Investing in the CDs is not equivalent to investing in a conventional CD or directly in the Index, any of the Target Constituents or any of the securities composing any of the Target Constituents.
- Minimum denominations of \$1,000 and integral multiples thereof
- The CDs are expected to price on or about March 28, 2016 and are expected to settle on or about March 31, 2016.
- CUSIP: 48125YE91

**Investing in the CDs involves a number of risks. See “Risk Factors” beginning on page 7 of the accompanying disclosure statement, “Risk Factors” beginning on page US-5 of the accompanying underlying supplement no. CD-18-II and “Selected Risk Considerations” beginning on page TS-6 of this term sheet.**

Fees and Discounts: J.P. Morgan Securities LLC, which we refer to as JPMS, and its affiliates will pay all of the selling commissions received from us to other affiliated or unaffiliated dealers. If the CDs priced today, the selling commissions would be approximately \$20.00 per \$1,000 CD and in no event will these selling commissions exceed \$45.00 per \$1,000 CD.

**If the CDs priced today, the estimated value of the CDs as determined by JPMS would be approximately \$952.30 per \$1,000 CD. JPMS’s estimated value of the CDs, when the terms of the CDs are set, will be provided by JPMS in the disclosure supplement and will not be less than \$900.00 per \$1,000 CD. See “JPMS’s Estimated Value of the CDs” in this term sheet for additional information.**

Our affiliate, JPMS, certain of its affiliates and other broker-dealers may use this term sheet and the accompanying disclosure statement in connection with offers and sales of the CDs after the date hereof.

## Key Terms

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### Index:

J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5% (Bloomberg ticker: JPUSBLFV <Index>). The level of the Index reflects the deduction of a fee of 0.50% per annum that accrues daily.

**Participation Rate:** Between 100% and 115% (to be provided in the disclosure supplement)

**Pricing Date:** On or about March 28, 2016

**Original Issue Date (Settlement Date):** On or about March 31, 2016

**Observation Date\*:** March 25, 2024

**Maturity Date\*:** March 28, 2024

\*Subject to postponement in the event of a market disruption event and as described under "Supplemental Terms of the CDs — Postponement of a Determination Date — CDs linked solely to a Balanced Index" in the accompanying underlying supplement and "General Terms of the CDs — Postponement of a Payment Date" in the accompanying disclosure statement.

### Index Return:

$$\frac{(\text{Final Value} - \text{Initial Value})}{\text{Initial Value}}$$

**Initial Value:** The closing level of the Index on the Pricing Date

**Final Value:** The closing level of the Index on the Observation Date

### Payment at Maturity:

At maturity, you will receive a cash payment, for each \$1,000 CD, of \$1,000 plus the Additional Amount, which may be zero.

*You will receive no other interest or dividend payments during the term of the CDs. The repayment of your full principal amount applies only at maturity, subject to the credit risk of JPMorgan Chase Bank and applicable FDIC limits.*

### Early Withdrawals:

At par upon death or adjudication of incompetence of a beneficial holder of the CDs. For information about early withdrawals and the limitations on such early withdrawals, see "General Terms of the CDs — Additions and Withdrawals" in the accompanying disclosure statement.

### Additional Amount<sup>†</sup>:

The Additional Amount payable at maturity per \$1,000 CD will equal:

$$\$1,000 \times \text{the Index Return} \times \text{the Participation Rate,}$$

*provided that the Additional Amount will not be less than zero.*

<sup>†</sup> Subject to the impact of a commodity hedging disruption event as described under "General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event — Adjustment of the Payment at Maturity" in the accompanying disclosure statement. In the event of a commodity hedging disruption event, we have the right, but not the obligation, to cease making further Contingent Interest Payments and to cause the CD calculation agent to determine on the commodity hedging disruption date the value of the Additional Amount payable at maturity. Under these circumstances, the value of the Additional Amount payable at maturity will be determined prior to, and without regard to the level of the Index on, the Observation Date. See "Selected Risk Considerations — We May Cease Making Further Contingent Interest Payments and Adjust Your Payment at Maturity If a Commodity Hedging Disruption Event Occurs."

## The J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5%

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The J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5% (the "Index") was developed and is maintained and calculated by J.P. Morgan Securities LLC ("JPMS"). The Index has been calculated on a "live" basis (*i.e.*, using real-time data) since October 31, 2014. The Index is designed to track the performance of a hypothetical investment in a notional dynamic portfolio that consists of the First Trust Dorsey Wright Focus 5 ETF (the "Equity Constituent"), with dividends reinvested, the J.P. Morgan Dynamic Treasury Futures Index (USD) (the "Bond Constituent" and together with the Equity Constituent, each, a "Target Constituent" and collectively, the "Target Constituents"), and a cash constituent (the "Cash Constituent" and together with the Target Constituents, the "Constituents") bearing interest at a blended rate, while seeking to maintain a target volatility (the "Target Volatility") of 8.5%, subject to minimum exposure of 0% and a maximum exposure of 100% for each Target Constituent and for the final reference portfolio used to calculate the Index. The Cash Constituent of the Index earns interest daily at a blended rate, which is a composite rate of interest determined based on the 3-month and 2-month LIBOR rates that is intended to track the overnight rate of return of a notional position in a 3-month time deposit in the U.S. dollar. However, because the borrowing cost deducted from the level of the Index charges interest at the same blended rate as the Cash Constituent, any portion of the notional portfolio allocated to the Cash Constituent at any time represents an uninvested portion, which earns no return. The J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5% is subject to a daily deduction of an index fee of 0.50% per annum and a daily deduction, from the daily returns of its Equity Constituent and Cash Constituent, of a borrowing cost calculated based on the composite LIBOR rates.

The First Trust Dorsey Wright Focus 5 ETF seeks investment results that correspond generally to the price and yield (before fees and expenses) of the Dorsey Wright Focus Five Index, which is designed to provide targeted exposure to the five sector-based exchange traded funds ("ETFs") sponsored by First Trust Advisors L.P. ("First Trust") that are expected to offer the greatest potential to outperform the other First Trust sector-based ETFs based on the proprietary Relative Strength methodology of Dorsey, Wright & Associates. The J.P. Morgan Dynamic Treasury Futures Index (USD) seeks to track the returns of a long position in a weekly rebalanced synthetic portfolio of four J.P. Morgan Treasury futures tracker indices, each of which tracks certain futures contracts on the U.S. Treasury securities of a specified maturity (with respect to the relevant Treasury futures tracker index, the "Relevant Treasury Securities"), with allocation of index weights to each of the Treasury futures tracker indices determined based on (i) the ratio of the aggregate principal amount of the outstanding Relevant Treasury Securities and the aggregate principal amount of the outstanding Relevant Treasury Securities of all Treasury futures tracker indices and (ii) its realized volatility compared with the realized volatility of the J.P. Morgan Global Government Bond Index — US Bonds Only in USD. Additional information relating to the First Trust Dorsey Wright Focus 5 ETF, the J.P. Morgan Dynamic Treasury Futures Index (USD), the J.P. Morgan Futures Tracker Indices and the J.P. Morgan Global Government Bond Index — US Bonds Only can be found under "Background on the First Trust Dorsey Wright Focus 5 ETF," "Background on the J.P. Morgan Dynamic Treasury Futures Index (USD)," "Background on the J.P. Morgan Futures Tracker Indices" and "Background on the J.P. Morgan Global Government Bond Index — US Bonds Only in USD" in the accompanying underlying supplement.

LIBOR, which stands for "London Interbank Offered Rate," is the average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks. The methodology used to determine the value of LIBOR is the subject of recent national, international and other regulatory guidance, proposals for reform and investigations.

On each Index Calculation Day (as defined in the accompanying underlying supplement), the Index first seeks to select a portfolio (the "Reference Portfolio") consisting solely of the Target Constituents (the "Target Portfolio") for each of two measurement periods (a long-term measurement period and a short-term measurement period) such that the Target Portfolio will (i) be fully allocated between the two Target Constituents, subject to a minimum exposure of 0% and a maximum exposure of 100% (the "Maximum Exposure") for each Target Constituent, and (ii) have an annualized realized volatility (the "Historical Volatility"), determined based on the realized volatility of each of the Target Constituents and the correlation between the volatilities of the Target Constituents for the relevant measurement period, equal to the Target Volatility. For each measurement period, up to two Target Portfolios may meet the conditions described above. If only one Target Portfolio that meets the conditions described above can be identified for a measurement period, the Index will select that Target Portfolio for that measurement period. If two Target Portfolios that meet the conditions described above can be identified for a measurement period, the Index will select the Target Portfolio that gives greater exposure to the Target Constituent with a higher realized volatility. However, if every Target Portfolio for a measurement period that is fully allocated between the two Target Constituents and satisfies the minimum exposure and Maximum Exposure constraints has a Historical Volatility less than the Target Volatility, the Target Portfolio for that measurement period will be deemed to be allocated entirely to the Target Constituent with the higher realized volatility, *provided* that if the realized volatility of the Equity Constituent and the Bond Constituent is the same, the Target Portfolio will be deemed to be allocated entirely to the Equity Constituent. On the other hand, if every Target Portfolio for a measurement period that is fully allocated between the two Target Constituents and satisfies the minimum exposure and Maximum Exposure constraints has a Historical Volatility greater than the Target Volatility (but there exists a Target Portfolio with allocations outside of the minimum exposure and Maximum Exposure constraints that has a Historical Volatility equal to the Target Volatility), the Target Portfolio for that measurement period will be deemed to be allocated entirely to the Target Constituent with the lower realized volatility and then subject to scaling down as described below, *provided* that if the realized volatility of the Equity Constituent and the Bond Constituent is the same, the Target Portfolio will be deemed to be allocated entirely to the Equity Constituent.

If no Target Portfolio described in the immediately preceding paragraph can be identified for a measurement period (because the Historical Volatility of every Target Portfolio for that measurement period that is fully allocated between the two Target Constituents, regardless of the minimum exposure or Maximum Exposure constraints, is greater than the Target Volatility), the Index will then select the Target Portfolio for that measurement period that (i) is fully allocated between the two Target Constituents, subject to the minimum exposure of 0% and the Maximum Exposure for each Target Constituent and (ii) would have had the lowest Historical Volatility.

After a Target Portfolio has been determined for a measurement period pursuant to the steps set forth in the two immediately preceding paragraphs, the Reference Portfolio for that measurement period will then be determined by scaling down, if necessary, the exposure to that Target Portfolio and assigning the remaining allocation to the Cash Constituent so that the resulting Reference Portfolio would have a Historical Volatility equal to the Target Volatility.

This methodology is implemented based on the volatilities and correlation of the Target Constituents for two measurement periods, a long-term and a short-term measurement period. From the two resulting Reference Portfolios, the portfolio with the lower allocation to the Equity Constituent will be selected as the final Reference Portfolio and used to calculate the level of the Index for that Index Calculation Day.

The Index is an excess return index because it is intended to reflect the return on a notional investment in a notional portfolio consisting of the Constituents where the investment is made through the use of borrowed funds. As a result, the return on each Constituent (other than the Bond Constituent) will reflect the deduction of a synthetic borrowing cost. On each Index Calculation Day, the return of the Index is calculated based on three components: (1) the weighted returns of each of the Constituents included in the Reference Portfolio selected for that Index Calculation Day, with dividends reinvested in the case of the Equity Constituent; (2) the daily deduction from the Equity Constituent and the Cash Constituent of a synthetic borrowing cost associated with providing exposure to the Reference Portfolio, which is calculated based on the blended rate used to calculate the Cash Constituent; and (3) the daily deduction of an index fee of 0.50% per annum.

**See “The J.P. Morgan Dorsey Wright Focus 5 Balanced Index Series” in the accompanying underlying supplement no. CD-18-II for more information about the Index**

## Hypothetical Payout Profile

The following table and graph illustrate the hypothetical payment at maturity on the CDs linked to a hypothetical Index. The hypothetical payments set forth below assume the following:

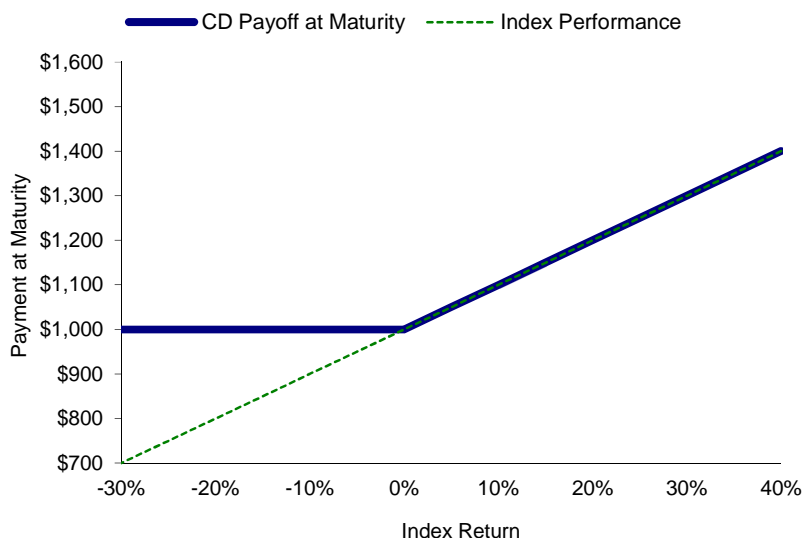
- an Initial Value of 100.00; and
- a Participation Rate of 100.00%

The hypothetical Initial Value of 100.00 has been chosen for illustrative purposes only and may not represent a likely actual Initial Value. The actual Initial Value will be the closing level of the Index on the Pricing Date and will be provided in the disclosure supplement. For historical data regarding the actual closing levels of the Index, please see the historical information set forth under "The Index" in this term sheet.

Each hypothetical payment at maturity set forth below is for illustrative purposes only and may not be the actual payment at maturity applicable to a purchaser of the CDs. The numbers appearing in the following table and graph have been rounded for ease of analysis.

Final Value	Index Return	Additional Amount	Payment at Maturity	Annual Percentage Yield
180.00	80.00%	\$800.00	\$1,800.00	7.62%
170.00	70.00%	\$700.00	\$1,700.00	6.86%
160.00	60.00%	\$600.00	\$1,600.00	6.05%
150.00	50.00%	\$500.00	\$1,500.00	5.20%
140.00	40.00%	\$400.00	\$1,400.00	4.30%
130.00	30.00%	\$300.00	\$1,300.00	3.33%
120.00	20.00%	\$200.00	\$1,200.00	2.31%
115.00	15.00%	\$150.00	\$1,150.00	1.76%
110.00	10.00%	\$100.00	\$1,100.00	1.20%
105.00	5.00%	\$50.00	\$1,050.00	0.61%
100.00	0.00%	\$0.00	\$1,000.00	0.00%
95.00	-5.00%	N/A	\$1,000.00	0.00%
90.00	-10.00%	N/A	\$1,000.00	0.00%
85.00	-15.00%	N/A	\$1,000.00	0.00%
80.00	-20.00%	N/A	\$1,000.00	0.00%
70.00	-30.00%	N/A	\$1,000.00	0.00%
60.00	-40.00%	N/A	\$1,000.00	0.00%
50.00	-50.00%	N/A	\$1,000.00	0.00%
40.00	-60.00%	N/A	\$1,000.00	0.00%
30.00	-70.00%	N/A	\$1,000.00	0.00%
20.00	-80.00%	N/A	\$1,000.00	0.00%

The following graph demonstrates the hypothetical total returns and hypothetical payments at maturity on the CDs at maturity for a subset of Index Returns detailed in the table above (-30% to 40%). We cannot give you assurance that the performance of the Index will result in a payment at maturity in excess of \$1,000 per \$1,000 CD.



## How the CDs Work

### Upside Scenario:

If the Final Value is greater than the Initial Value, investors will receive at maturity the \$1,000 principal amount plus the Additional Amount, which is equal to \$1,000 *times* the Index Return *times* the Participation Rate, which will be between 100.00% and 115.00%, for each \$1,000 CD.

- Assuming a hypothetical Participation Rate of 100.00%, if the closing level of the Index increases 5.00%, investors will receive at maturity a 5.00% return, or \$1,050.00 per \$1,000 CD.

### Par Scenario:

If the Final Value is equal to the Initial Value or is less than the Initial Value, the Additional Amount will be zero and investors will receive at maturity the principal amount of their CDs.

The hypothetical returns and hypothetical payments on the CDs shown above apply **only if you hold the CDs for their entire term**. These hypotheticals do not reflect the fees or expenses that would be associated with any sale in the secondary market. If these fees and expenses were included, the hypothetical returns and hypothetical payments shown above would likely be lower.

## Selected Risk Considerations

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An investment in the CDs involves significant risks. These risks are explained in more detail in the “Risk Factors” sections of the accompanying disclosure statement and underlying supplement.

### Risks Relating to the CDs Generally

- **THE CDs MAY NOT PAY MORE THAN THE PRINCIPAL AMOUNT AT MATURITY —**

If the Final Value is less than or equal to the Initial Value, you will receive only the principal amount of your CDs at maturity, and you will not be compensated for any loss in value due to inflation and other factors relating to the value of money over time.

- **THE LEVEL OF THE INDEX WILL INCLUDE THE DEDUCTION OF A FEE OF 0.50% PER ANNUM AND A BORROWING COSTS CALCULATED BASED ON THE RELEVANT LIBOR RATES —**

This index fee and borrowing cost will be deducted daily. As a result of the deduction of this index fee and borrowing cost, the level of the Index will trail the value of a hypothetical identically constituted synthetic portfolio from which no such fee or cost is deducted.

- **CREDIT RISK OF JPMORGAN CHASE BANK —**

A depositor purchasing a principal amount of CDs in excess of FDIC insurance limits, when aggregated with all other deposits held by the depositor in the same right and capacity at JPMorgan Chase Bank, will be subject to the credit risk of JPMorgan Chase Bank. Investors are dependent on JPMorgan Chase Bank’s ability to pay any amounts due on the CDs in excess of FDIC insurance limits. Any actual or potential change in the creditworthiness, credit ratings or credit spreads related to us or our affiliates, as determined by the market for taking that credit risk, is likely to adversely affect the value of the CDs.

- **POTENTIAL CONFLICTS —**

We and our affiliates play a variety of roles in connection with the CDs. In performing these duties, our economic interests are potentially adverse to your interests as an investor in the CDs. It is possible that hedging or trading activities of ours or our affiliates in connection with the CDs could result in substantial returns for us or our affiliates while the value of the CDs declines. Please refer to “Risk Factors — Risks Relating to Conflicts of Interest” in the accompanying disclosure statement.

- **THE BOND CONSTITUENT OF THE INDEX AND ITS CONSTITUENT INDICES AND REFERENCE INDEX ARE ALL J.P. MORGAN PROPRIETARY INDICES —**

The Bond Constituent of the Index, the J.P. Morgan Dynamic Treasury Futures Index (USD), is a J.P. Morgan proprietary index. The levels of the Bond Constituent are calculated by reference to the levels and volatilities of its four constituent Treasury futures tracker indices and a reference index, all of which are J.P. Morgan proprietary indices. J.P. Morgan Securities plc (“JPMS plc”) is the sponsor of the Bond Constituent and its constituent Treasury futures tracker indices, and the Global Index Research Group (“GIRG”) of JPMorgan Chase & Co., our parent company, is the sponsor of the reference index of the Bond Constituent, the J.P. Morgan Global Government Bond Index – US Bonds Only in USD. The reference index of the Bond Constituent makes use of certain weights, prices, values, levels or dates that are determined by PricingDirect Inc. (“PricingDirect”). PricingDirect is a wholly-owned subsidiary of JPMorgan Chase & Co. Under some circumstances, the pricing information provided by PricingDirect on the bonds underlying the reference index may be derived solely from price quotations or internal valuations made by one or more of our affiliates. Accordingly, conflicts of interest exist between JPMS plc, GIRG and PricingDirect, on the one hand, and you, on the other hand. None of JPMS plc, GIRG or PricingDirect will have any obligation to consider your interests as a holder of the CDs in taking any actions that might affect the value of your CDs.

- **THE CDs DO NOT PAY INTEREST.**

- **YOU WILL NOT RECEIVE DIVIDENDS OR OTHER DISTRIBUTIONS ON THE TARGET CONSTITUENTS OR THE SECURITIES OR FUTURES CONTRACTS UNDERLYING THE TARGET CONSTITUENTS OR HAVE ANY RIGHTS WITH RESPECT TO THE TARGET CONSTITUENTS OR THOSE SECURITIES OR FUTURES CONTRACTS.**

- **JPMS AND ITS AFFILIATES MAY HAVE PUBLISHED RESEARCH, EXPRESSED OPINIONS OR PROVIDED RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE CDs, AND MAY DO SO IN THE FUTURE —**

Any research, opinions or recommendations could affect the market value of the CDs. Investors should undertake their own independent investigation of the merits of investing in the CDs and the Target Constituents and the securities or futures contracts composing the Target Constituents.

- **LACK OF LIQUIDITY —**

The CDs will not be listed on an organized securities exchange. JPMS and its affiliates may offer to purchase the CDs upon terms and conditions acceptable to them, but are not required to do so. You may not be able to sell your CDs. The CDs are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your CDs to maturity. For more information, see “General Terms of the CDs — Additions and Withdrawals” and “Discounts and Secondary Market” in the accompanying disclosure statement.

- **LIMITATIONS ON FDIC INSURANCE —**

As a general matter, holders who purchase CDs in a principal amount greater than the applicable limits set by federal law and regulation will not be insured by the FDIC for the principal amount exceeding such limit. In addition, under FDIC interpretations, the return on the CDs, which is reflected in the form of the Additional Amount, is not insured by the FDIC until the Observation Date. Any amounts due on the CDs in excess of the applicable FDIC insurance limits will be subject to the credit risk of JPMorgan Chase Bank. For more information, see “Deposit Insurance” in the accompanying disclosure statement.

- **THE FINAL TERMS AND VALUATION OF THE CDs WILL BE PROVIDED IN THE DISCLOSURE SUPPLEMENT —**

You should consider your potential investment in the CDs based on the minimums for JPMS’s estimated value and the Participation Rate.

- **JPMS’S ESTIMATED VALUE OF THE CDs WILL BE LOWER THAN THE ORIGINAL ISSUE PRICE (PRICE TO PUBLIC) OF THE CDs —**

JPMS’s estimated value is only an estimate using several factors. The original issue price of the CDs will exceed JPMS’s estimated value because costs associated with selling, structuring and hedging the CDs are included in the original issue price of the CDs. These costs include the selling commissions, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs and the estimated cost of hedging our obligations under the CDs. See “JPMS’s Estimated Value of the CDs” in this term sheet.

- **JPMS’S ESTIMATED VALUE DOES NOT REPRESENT FUTURE VALUES OF THE CDs AND MAY DIFFER FROM OTHERS’ ESTIMATES —**

See “JPMS’s Estimated Value of the CDs” in this term sheet.

- **JPMS’S ESTIMATED VALUE IS DERIVED BY REFERENCE TO AN INTERNAL FUNDING RATE —**

The internal funding rate used in the determination of JPMS’s estimated value is based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing liability management costs of the CDs. Our use of an internal funding 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. See “JPMS’s Estimated Value of the CDs” in this term sheet.

- **THE VALUE OF THE CDs AS PUBLISHED BY JPMS (AND WHICH MAY BE REFLECTED ON CUSTOMER ACCOUNT STATEMENTS) MAY BE HIGHER THAN JPMS’S THEN-CURRENT ESTIMATED VALUE OF THE CDs FOR A LIMITED TIME PERIOD —**

We generally expect that some of the costs included in the original issue price of the CDs will be partially paid back to you in connection with any repurchases of your CDs by JPMS in an amount that will decline to zero over an initial predetermined period. See “Secondary Market Prices of the CDs” in this term sheet for additional information relating to this initial period. Accordingly, the estimated value of your CDs during this initial period may be lower than the value of the CDs as published by JPMS (and which may be shown on your customer account statements).

- **SECONDARY MARKET PRICES OF THE CDs WILL LIKELY BE LOWER THAN THE ORIGINAL ISSUE PRICE OF THE CDs —**

Any secondary market prices of the CDs will likely be lower than the original issue price of the CDs because, among other things, secondary market prices take into account our internal secondary market funding rates for structured issuances and, also, because secondary market prices (a) exclude selling commissions and (b) may exclude projected hedging profits, if any, and estimated hedging costs that are included in the original issue price of the CDs. As a result, the price, if any, at which JPMS will be willing to buy the CDs from you in secondary market transactions, if at all, is likely to be lower than the original issue price. Any sale by you prior to the Maturity Date could result in a substantial loss to you.

In addition, if JPMS purchases your CDs in the secondary market within six days after their initial issuance, you will be subject to early withdrawal penalties we are required to impose pursuant to Regulation D of the Federal Reserve Board. Under these circumstances, the repurchase price will be less than the original issue price of the CDs.



- **SECONDARY MARKET PRICES OF THE CDs WILL BE IMPACTED BY MANY ECONOMIC AND MARKET FACTORS —**

The secondary market price of the CDs during their term will be impacted by a number of economic and market factors, which may either offset or magnify each other, aside from the selling commissions, projected hedging profits, if any, estimated hedging costs and the level of the Index. Additionally, independent pricing vendors and/or third party broker-dealers may publish a price for the CDs, which may also be reflected on customer account statements. This price may be different (higher or lower) than the price of the CDs, if any, at which JPMS may be willing to purchase your CDs in the secondary market. See “Risk Factors — Risks Relating to the Estimated Value of Secondary Market Prices of the CDs — Secondary market prices of the CDs will be impacted by many economic and market factors” in the accompanying disclosure statement.

#### **Risks Relating to the Index**

- **OUR AFFILIATE, JPMS, IS THE INDEX CALCULATION AGENT AND MAY ADJUST THE INDEX IN A WAY THAT AFFECTS ITS LEVEL —**

JPMS, one of our affiliates, acts as the index calculation agent and is responsible for calculating and maintaining the Index and developing the guidelines and policies governing its composition and calculation. The rules governing the Index may be amended at any time by JPMS, in its sole discretion, and the rules also permit the use of discretion by JPMS in specific instances, such as the right to substitute a Target Constituent. Unlike other indices, the maintenance of the Index is not governed by an independent committee. Although judgments, policies and determinations concerning the Index are made by JPMS, JPMorgan Chase Bank, as the parent company of JPMS, ultimately controls JPMS.

In addition, the policies and judgments for which JPMS is responsible could have an impact, positive or negative, on the level of the Index and the value of your CDs. JPMS is under no obligation to consider your interests as an investor in the CDs. Furthermore, the inclusion of the Target Constituents in the Index is not an investment recommendation by us or JPMS of any of the Target Constituents, or any of the securities composing any of the Target Constituents.

- **THE INDEX MAY NOT ACHIEVE ITS TARGET VOLATILITY —**

The Index employs a mathematical algorithm intended to target a specified volatility level on a daily basis by dynamically allocating its exposure between the Target Constituents (and, in certain circumstances, the Cash Constituent) in a manner designed to cause the Index to control the level of risk taken with respect to its Target Constituents.

No assurance can be given that the actual realized volatility of the Index will be at its target level. The allocation of exposures of the Index to its Target Constituents on any given day is based on the observed historical volatilities and correlation of the Target Constituents over specified measurement periods and is subject to a maximum exposure limit. That is, the weights of the Target Constituents are adjusted on a daily basis so that the historical volatility of the Index would be less than or equal to its target volatility. Because the Target Constituents are given weights in the Index based on their historical volatilities and correlation, and because the volatility of a Target Constituent and its correlation with the volatility of the other Target Constituent at any time may change rapidly and differ significantly from their historical levels, there can be no assurance that the weights given to the Target Constituents in the Index will result in the Index realizing an actual volatility equal to its target volatility level. The actual realized volatility of the Index could be significantly greater or less than its target volatility level.

- **THE DAILY ADJUSTMENT OF THE EXPOSURE OF THE INDEX TO ITS TARGET CONSTITUENTS WILL VARY, AND THE INDEX MAY BE PARTIALLY UNINVESTED —**

As discussed above, in an effort to achieve its target volatility level on a daily basis, the Index adjusts its exposure to its Target Constituents daily based on the historical volatilities and correlation of the Target Constituents over two specified measurement periods, subject to a minimum exposure of 0% and maximum exposure limit of 100%. On each day, the Index will first attempt to select, for each measurement period, a Target Portfolio, consisting solely of the Target Constituents, which would be fully allocated between the two Target Constituents, subject to a minimum exposure of 0% and a specified maximum exposure for each Target Constituent, and have had an annualized realized volatility equal to its target volatility. For each measurement period, up to two Target Portfolios may meet the conditions described above. If no Target Portfolio for a measurement period that is fully allocated between the two Target Constituents can have an annualized realized volatility equal to its target volatility, regardless of the minimum exposure or maximum exposure constraints, the Index will then attempt to select a Target Portfolio for that measurement period that is fully allocated between the two Target Constituents, subject to the minimum exposure of 0% and maximum exposure of 100% for each Target Constituent, and would have had the lowest realized volatility. The Index will then determine the final reference portfolio for that measurement period that will be used to calculate the Index for that day by scaling down, if necessary, its exposure to the Target Portfolio determined pursuant to the steps described above and reallocating that amount of exposure to the Cash Constituent. Once a final reference portfolio has been identified for each of the long-term and short-term measurement periods, the one with the lower allocation assigned to the Equity Constituent is selected for calculating the closing level of the Index

for that day. The Index's exposure to each of its Target Constituents may vary between the minimum exposure of 0% and the maximum exposure of 100%.

When the exposure of the Index to its Target Constituents is less than 100% on any day, a portion of the Index will be uninvested in the Target Constituents and the Index will realize only a portion of any gains due to price appreciation of the Target Constituents, with the remainder allocated to the Cash Constituent. For example, if the Index's daily combined exposure to the Target Constituents is set at 70% on any day, 30% of the synthetic portfolio will be uninvested in the Target Constituents and will be allocated to the Cash Constituent. As a result, the Index may underperform a similar index that does not include a daily exposure adjustments feature. Moreover, any allocation to the Cash Constituent at any given time represents the portion of the Index that is uninvested at that time. The Index will reflect no return for any uninvested portion (i.e., any portion represented by the Cash Constituent).

- **BY REDUCING ITS EXPOSURE TO ITS EQUITY CONSTITUENT, THE INDEX MAY SIGNIFICANTLY UNDERPERFORM ITS EQUITY CONSTITUENT —**

The Index is designed to allocate its exposure between its Equity Constituent and Bond Constituent in an attempt to achieve an annualized realized volatility level equal to its target volatility level on each day. It is not possible to predict the level of exposure that the Index will have to either Target Constituent over any given period of time. See “— The exposure of the Index to its Bond Constituent may be greater, perhaps significantly greater, than its exposure to its Equity Constituent” below. Consequently, if the Equity Constituent increases in value over the applicable period, the Index will likely underperform the Equity Constituent, possibly significantly, over the same period if its Bond Constituent declines or does not increase in value to the same extent over that period. If the Equity Constituent and the Bond Constituent are negatively correlated and the Index has relatively high exposure to the Bond Constituent and relatively low exposure to the Equity Constituent, the Index may experience a significant negative performance even as the Equity Constituent rises. Under these circumstances, your payment on the CDs may be less than what you would have received by investing the same principal amount in an instrument linked directly to the Equity Constituent or in the securities underlying the Equity Constituent.

- **THE EXPOSURE OF THE INDEX TO ITS BOND CONSTITUENT MAY BE GREATER, PERHAPS SIGNIFICANTLY GREATER, THAN ITS EXPOSURE TO ITS EQUITY CONSTITUENT —**

The Index includes two Target Constituents, an Equity Constituent and a Bond Constituent. The Index may have significant exposure for an extended period of time to the Bond Constituent, and that exposure may be greater, perhaps significantly greater, than its exposure to the Equity Constituent. The Index is more likely to have greater exposure to the Bond Constituent than to the Equity Constituent where the observed historical volatility of the Equity Constituent is significantly greater than the Index's target volatility level, the observed historical volatility of the Bond Constituent is near the target volatility level and the Target Constituents have a positive correlation. In that circumstance, if the Target Constituents have a high positive correlation, the Index's exposure to the Bond Constituent is likely to be significantly greater than its exposure to the Equity Constituent. Moreover, under certain circumstances where (i) the observed historical volatility of the Target Portfolio is less than the target volatility level and the observed historical volatility of the Bond Constituent is greater than the Equity Constituent or (ii) the observed historical volatility of the Target Portfolio is greater than the target volatility level and the observed historical volatility of the Bond Constituent is less than the Equity Constituent, the Index may have no exposure to the Equity Constituent. If the Index has greater exposure to its Bond Constituent than to its Equity Constituent, then the Index's returns will be influenced by the returns of the Bond Constituent to a greater extent than by the returns of the Equity Constituent. However, the returns of the Bond Constituent may be significantly lower than the returns of the Equity Constituent, and possibly even negative while the returns of the Equity Constituent are positive.

- **THE INDEX MAY HAVE SIGNIFICANT EXPOSURE TO ITS CASH CONSTITUENT —**

Once a Target Portfolio is obtained, the Index will scale down, if necessary, the weight of each Target Constituent within that Target Portfolio by the ratio of its target volatility level to the annualized realized volatility level of that Target Portfolio, subject to the minimum exposure of 0%. The Index's exposures to its Equity Constituent, Bond Constituent and Cash Constituent in aggregate equal the maximum exposure. Accordingly, after scaling down, if necessary, the exposures to the applicable Target Constituent or Target Constituents to adjust the reference portfolio's volatility level, the difference between the maximum exposure of the Index and the sum of the exposures to the applicable Target Constituents is the exposure allocated to the Cash Constituent. Therefore, the Index may have a significant exposure to its Cash Constituent on any given day, and as a result, the Index will realize only a portion of any gains due to appreciation of the Target Constituents. Any allocation to the Cash Constituent at any given time represents the portion of the Index that is uninvested at that time and the Index will reflect no return for any uninvested portion.

- **THE RETURNS OF THE TARGET CONSTITUENTS MAY OFFSET EACH OTHER OR MAY BECOME CORRELATED IN DECLINE —**

At a time when the value of one Target Constituent increases, the value of the other Target Constituent may not increase as much or may even decline. This may offset the potentially positive effect of the performance of the former Target Constituent on the performance of the Index. During the term of the CDs, it is possible that the value of the Index may decline even if the value of one Target Constituent rises, because of the offsetting effect of a decline in the other Target Constituent. It is also possible that the returns of the Target Constituents may be positively correlated with each other. In this case, a decline in one Target Constituent would be accompanied by a decline in the other Target Constituent, which may adversely affect the performance of the Index. As a result, the Index may not perform as well as an alternative index that tracks only one Target Constituent or the other.

- **THE INDEX IS SUBJECT TO THE NEGATIVE IMPACT OF AN INTEREST DEDUCTION —**

The Index is an excess return index intended to reflect the return on a synthetic investment in a portfolio consisting of the Constituents where the investment in the Equity Constituent and the Cash Constituent is made through the use of borrowed funds. Therefore, the level of the Index reflects the weighted returns of the Constituents less an interest deduction from the Equity Constituent and the Cash Constituent calculated based on the relevant LIBOR rates. As a result, the performance of the Index will be subject to the negative impact of the interest deduction.

- **HYPOTHETICAL BACK-TESTED DATA RELATING TO THE INDEX DO NOT REPRESENT ACTUAL HISTORICAL DATA AND ARE SUBJECT TO INHERENT LIMITATIONS —**

The hypothetical back-tested performance of the Index set forth under “Hypothetical Back-Tested Data and Historical Information” in this term sheet is purely theoretical and does not represent the actual historical performance of the Index and has not been verified by an independent third party. For time periods prior to the launch or inception of the Target Constituents, the hypothetical back-tested performance set forth under “Hypothetical Back-Tested Data and Historical Information” in this term sheet was calculated using (i) with respect to the Equity Constituent, alternative performance information derived from a related index, after deducting hypothetical fund fees, rather than the performance information for the Equity Constituent, and (ii) with respect to the Bond Constituent, hypothetical back-tested performance information of the Bond Constituent, calculated on materially the same basis as the performance of the Bond Constituent is now calculated, neither of which represents the actual historical performance of the relevant Target Constituent during the relevant period.

Alternative modeling techniques or assumptions may produce different hypothetical historical information that might prove to be more appropriate and that might differ significantly from the hypothetical historical information set forth under “Hypothetical Back-Tested Data and Historical Information” in this term sheet. In addition, back-tested, hypothetical historical results have inherent limitations. These back-tested results are achieved by means of a retroactive application of a back-tested model designed with the benefit of hindsight. As with actual historical data, hypothetical back-tested data should not be taken as an indication of future performance.

- **THE INVESTMENT STRATEGY USED TO CONSTRUCT THE INDEX INVOLVES DAILY ADJUSTMENTS TO ITS SYNTHETIC EXPOSURE TO ITS TARGET CONSTITUENTS —**

The Index is subject to daily adjustments to its synthetic exposure to its Target Constituents. By contrast, a synthetic portfolio that is not subject to daily exposure adjustments in this manner could see greater compounded gains over time through exposure to a consistently and rapidly appreciating portfolio consisting of the Target Constituents. Therefore, your return on the CDs may be less than the return you could realize on an alternative investment in the Target Constituents that is not subject to daily exposure adjustments. No assurance can be given that the investment strategy used to construct the Index will outperform any alternative investment in the Target Constituents of the Index.

- **THE EQUITY CONSTITUENT IS AN ETF. THE PERFORMANCE OF THE EQUITY CONSTITUENT’S REFERENCE INDEX AS WELL AS THE EQUITY CONSTITUENT’S NET ASSET VALUE PER SHARE (AN “ETF SHARE”) MAY NOT CORRELATE WITH THE PERFORMANCE AND MARKET VALUE OF EACH ETF SHARE, PARTICULARLY DURING PERIODS OF MARKET VOLATILITY —**

The Equity Constituent may not fully replicate its reference index and may hold securities different from those included in that reference index. In addition, the performance of the ETF Shares will reflect additional transaction costs and fees that are not included in the calculation of the relevant reference index. All of these factors may lead to a lack of correlation between the performance of the ETF Shares and the relevant reference index. In addition, corporate actions with respect to the equity securities underlying the ETF Shares (such as mergers and spin-offs) may impact the variance between the performances of the ETF Shares and the relevant reference index. Finally, because the ETF Shares are traded on public exchanges and are subject to market supply and investor demand, the market value of one ETF Share may differ from the net asset value per ETF Share.

During periods of market volatility, securities underlying the ETF Shares may be unavailable in the secondary market, market participants may be unable to calculate accurately the net asset value per ETF Share and the liquidity of the ETF Shares may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem ETF Shares. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell ETF Shares. As a result, under these circumstances, the market value of the ETF Shares may vary substantially from the net asset value per ETF Share. For all of the foregoing reasons, the performance of the ETF Shares may not correlate with the performance of the relevant reference index as well as the net asset value per ETF Share, which could materially and adversely affect the value of the CDs in the secondary market and/or reduce your payment at maturity.

- **A TARGET CONSTITUENT OF THE INDEX MAY BE REPLACED BY A SUBSTITUTE INDEX OR ETF IN CERTAIN EXTRAORDINARY EVENTS —**

Following the occurrence of certain extraordinary events with respect to a Target Constituent as described in the accompanying underlying supplement, a Target Constituent may be replaced by a substitute index or ETF, and an Index Constituent may be substituted by an ETF and an ETF Constituent may be substituted by an index. You should realize that changing a Target Constituent may affect the performance of the Index, and therefore, the return on the CDs, as the substitute index or ETF may perform significantly better or worse than the original Target Constituent.

Moreover, the policies of the sponsor of the substitute index or ETF concerning the methodology and calculation of the substitute index or ETF, including decisions regarding additions, deletions or substitutions of the assets underlying the substitute index or ETF could affect the level or price of the substitute index or ETF and therefore the value of the CDs. The amount payable on the CDs and their market value could also be affected if the sponsor of a substitute index or the sponsor of the underlying reference index of a substitute ETF discontinues or suspends calculation or dissemination of the relevant index, in which case it may become difficult to determine the market value of the CDs. The sponsor of the substitute index or ETF will have no obligation to consider your interests in calculating or revising such substitute index or ETF.

- **THE EQUITY CONSTITUENT OF THE INDEX IS SUBJECT TO RISKS RELATING TO ITS SELECTION METHODOLOGY —** The First Trust Dorsey Wright Focus 5 ETF, the Equity Constituent of the Index, seeks investment results that correspond generally to the price and yield (before fees and expenses) of the Dorsey Wright Focus Five Index (the “Dorsey Wright Index”). The Dorsey Wright Index is rebalanced weekly to make any change to its five constituent First Trust sector-based ETFs based on their respective recent performance. If market conditions do not represent a continuation of prior observed trends, or prior observed trends have changed before the Dorsey Wright Index can adjust via its weekly balancing, the level of the Dorsey Wright Index may decline. Furthermore, the Dorsey Wright Index employs a momentum investing strategy, which is not as effective at identifying market direction in non-trending, sideways markets. Consequently, the Dorsey Wright Index may perform poorly in non-trending, “choppy” markets characterized by short-term volatility.

- **THE BOND CONSTITUENT OF THE INDEX IS SUBJECT TO SIGNIFICANT RISKS ASSOCIATED WITH FUTURES CONTRACTS —**

The Bond Constituent of the Index is composed of four J.P. Morgan Treasury futures tracker indices (each a “Futures Tracker” and collectively, the “Futures Trackers”), each of which tracks certain futures contracts on U.S. Treasury securities. In addition to the price of the underlying asset referenced by it, the price of a futures contract is also affected by changing supply and demand relationships, interest rates, governmental and regulatory policies and the policies of the exchanges on which the futures contracts trade. The futures markets are also subject to temporary distortions or other disruptions due to the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. These factors and others can cause the prices of futures contracts to be volatile.

- **OTHER KEY RISKS:**

- THE INDEX MAY NOT BE SUCCESSFUL OR OUTPERFORM ANY ALTERNATIVE STRATEGY THAT MIGHT BE EMPLOYED IN RESPECT OF THE TARGET CONSTITUENTS.
- THE CDs ARE SUBJECT TO SIGNIFICANT RISKS ASSOCIATED WITH FIXED-INCOME SECURITIES, INCLUDING INTEREST RATE-RELATED RISKS AND CREDIT RISK.
- IF THE VALUE OF A TARGET CONSTITUENT CHANGES, THE LEVEL OF THE INDEX AND THE MARKET VALUE OF YOUR CDs MAY NOT CHANGE IN THE SAME MANNER.
- THE INDEX COMPRISES NOTIONAL ASSETS AND LIABILITIES.
- THE INDEX, WHICH WAS ESTABLISHED ON OCTOBER 31, 2014, AND THE TARGET CONSTITUENTS AND ONE OF THE CONSTITUENT TREASURY FUTURES TRACKER INDICES OF THE BOND CONSTITUENT, WHICH WERE ESTABLISHED IN 2014, EACH HAS A LIMITED OPERATING HISTORY AND MAY PERFORM IN UNANTICIPATED WAYS.

- THE CDs ARE EXPOSED TO THE PRICE PERFORMANCE AND CREDIT PERFORMANCE OF THE TARGET CONSTITUENTS.
- THE EQUITY CONSTITUENT INVESTS IN OTHER ETFS AND IS SUBJECT TO RISKS ASSOCIATED WITH OWNING AN ETF.
- EACH ETF IN WHICH THE EQUITY CONSTITUENT MAY INVEST IS SUBJECT TO RISKS ASSOCIATED WITH A PARTICULAR INDUSTRY.
- THE EQUITY CONSTITUENT IS SUBJECT TO NON-DIVERSIFICATION RISK.
- SOME OF THE ETFS IN WHICH THE EQUITY CONSTITUENT MAY INVEST MAY BE SUBJECT TO RISKS ASSOCIATED WITH NON-U.S. SECURITIES MARKETS, INCLUDING EMERGING MARKETS.
- THE CDs WILL BE SUBJECT TO CURRENCY EXCHANGE RISK.
- THE BOND CONSTITUENT AND THE FUTURES TRACKERS ARE PRICE RETURN INDICES THAT DO NOT REFLECT “ROLL YIELDS” OR “TOTAL RETURNS.”
- THE BOND CONSTITUENT MAY BE AFFECTED BY SIGNIFICANT VOLATILITY IN THE FUTURES TRACKERS, EACH OF WHICH IS SUBJECT TO THE VOLATILITY ASSOCIATED WITH FUTURES CONTRACTS.
- SUSPENSION OR DISRUPTIONS OF MARKET TRADING IN FUTURES CONTRACTS MAY ADVERSELY AFFECT THE VALUE OF YOUR CDs.
- THE BOND CONSTITUENT MAY NOT BE SUCCESSFUL IN APPROXIMATING THE VOLATILITY LEVEL OF THE U.S. TREASURY SECURITIES MARKET.
- THE INVESTMENT STRATEGY USED TO CONSTRUCT THE BOND CONSTITUENT INVOLVES REGULAR REBALANCING.
- MOVEMENTS IN THE FUTURES TRACKERS MAY BE HIGHLY CORRELATED.
- CHANGES IN THE LEVELS OF THE FUTURES TRACKERS MAY OFFSET EACH OTHER.
- THE VALUE OF THE CDs MAY BE INFLUENCED BY UNPREDICTABLE CHANGES IN THE UNITED STATES AND ITS ECONOMY.
- THE BOND CONSTITUENT MAY BE AFFECTED BY CHANGES IN THE PERCEIVED CREDITWORTHINESS OF THE UNITED STATES.
- 2-MONTH AND 3-MONTH USD LIBOR RATES ARE AFFECTED BY A NUMBER OF FACTORS AND MAY BE VOLATILE.
- THE METHOD PURSUANT TO WHICH THE LIBOR RATES ARE DETERMINED MAY CHANGE, AND ANY SUCH CHANGE ADVERSELY AFFECT THE VALUE OF THE CDs.

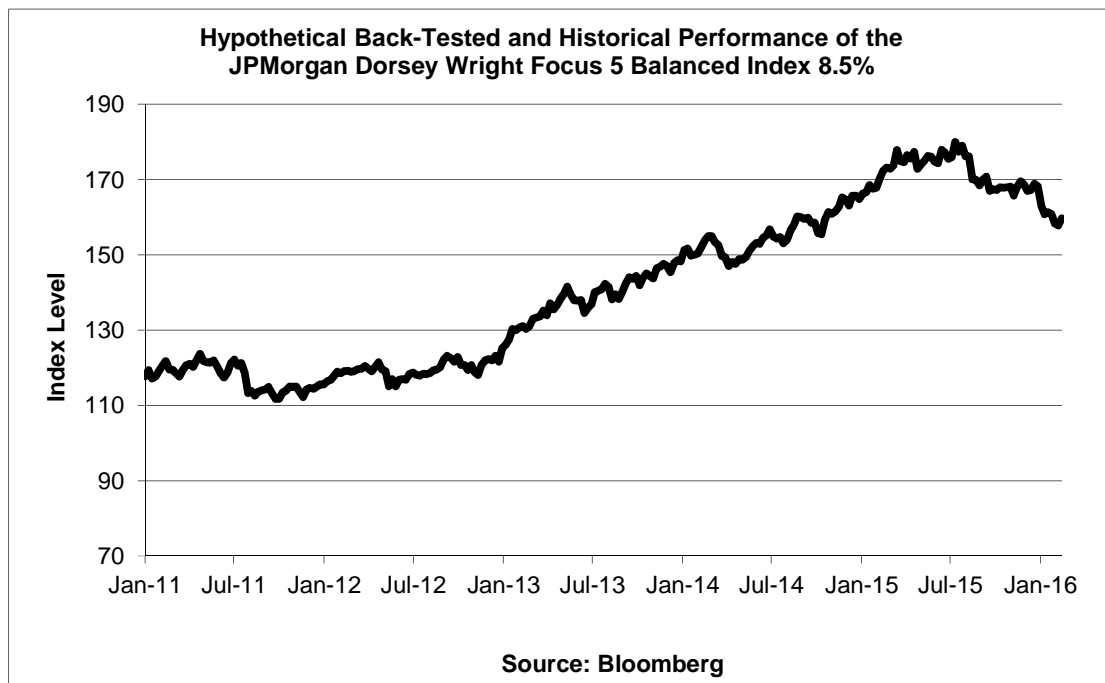
*Please refer to the “Risk Factors” section of the accompanying underlying supplement no. CD-18-II for more details regarding the above-listed risks.*

## Hypothetical Back-Tested Data and Historical Information

The following graph sets forth the hypothetical back-tested performance of the Index based on the hypothetical back-tested weekly closing levels of the Index from January 7, 2011 through October 24, 2014, and the historical performance of the Index based on the weekly closing levels of the Index from October 31, 2014 through February 19, 2016. The Index was established on October 31, 2014. The closing level of the Index on February 25, 2016 was 161.91. We obtained the closing levels below from Bloomberg, without independent verification.

The data for the hypothetical back-tested performance of the Index set forth in the following graph are purely theoretical and do not represent the actual historical performance of the Index. For time periods prior to the launch or inception of the Target Constituents, the hypothetical back-tested performance set forth in the following graph was calculated using (i) with respect to the Equity Constituent, alternative performance information derived from a related index, after deducting hypothetical fund fees, rather than the performance information for the Equity Constituent, and (ii) with respect to the Bond Constituent, hypothetical back-tested performance information of the Bond Constituent, calculated on materially the same basis as the performance of the Bond Constituent is now calculated, neither of which represents the actual historical performance of the relevant Target Constituent during the relevant period.

The hypothetical back-tested and historical closing levels of the Index should not be taken as an indication of future performance, and no assurance can be given as to the closing level of the Index on the Pricing Date or the Observation Date. We cannot give you assurance that the performance of the Index will result in a payment at maturity in excess of your principal amount.



The hypothetical back-tested closing levels of the Index have inherent limitations and have not been verified by an independent third party. These hypothetical back-tested closing levels are determined by means of a retroactive application of a back-tested model designed with the benefit of hindsight. Hypothetical back-tested results are neither an indicator nor a guarantee of future returns. No representation is made that an investment in the CDs will or is likely to achieve returns similar to those shown. Alternative modeling techniques or assumptions would produce different hypothetical back-tested closing levels of the Index that might prove to be more appropriate and that might differ significantly from the hypothetical back-tested closing levels of the Index set forth above.

## Taxed as Contingent Payment Debt Instruments

You should review carefully the section entitled “Material U.S. Federal Income Tax Consequences,” and in particular the subsection thereof entitled “— CDs with a Term of More than One Year,” in the accompanying disclosure statement. Unlike a traditional certificate of deposit that provides for periodic payments of interest at a single fixed rate, with respect to which a cash-method investor generally recognizes income only upon receipt of stated interest, the CDs will be treated for U.S. federal income tax purposes as “contingent payment debt instruments.” As discussed in that subsection, you generally will be required to accrue original issue discount on your CDs in each taxable year at the “comparable yield,” as determined by us, although we will not make any payment with respect to the CDs until maturity. Upon sale or exchange (including at maturity), you will recognize taxable income or loss equal to the difference

between the amount received from the sale or exchange and your adjusted basis in the CD, which generally will equal the cost thereof, increased by the amount of original issue discount you have accrued in respect of the CD. You generally must treat any income as interest income and any loss as ordinary loss to the extent of previous interest inclusions, and the balance as capital loss. The deductibility of capital losses is subject to limitations. **Purchasers who are not initial purchasers of CDs at their issue price should consult their tax advisers with respect to the tax consequences of an investment in CDs, including the treatment of the difference, if any, between the basis in their CDs and the CDs' adjusted issue price.**

Withholding under legislation commonly referred to as "FATCA" may apply to the payment on your CD at maturity, as well as to the gross proceeds of a sale or other disposition of a CD prior to maturity. However, under a recent IRS notice, this regime will not apply to payments of gross proceeds (other than any amount treated as interest) of a sale or other disposition of a CD occurring before January 1, 2019. You should consult your tax adviser regarding the potential application of FATCA to the CDs.

Non-U.S. holders should also note that, notwithstanding anything to the contrary in the accompanying disclosure statement, recently promulgated Treasury regulations imposing a withholding tax on certain "dividend equivalents" under certain "equity linked instruments" will not apply to the CDs.

### Comparable Yield and Projected Payment Schedule

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We will determine the comparable yield for the CDs and will provide that comparable yield, and the related projected payment schedule, in the disclosure supplement for the CDs. The comparable yield for the CDs will be an annual rate of at least 1.47% compounded semiannually, and will be determined based upon a variety of factors, including actual market conditions and our borrowing costs for debt instruments of comparable maturities at the time of issuance. **Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual Additional Amount, if any, that we will pay on the CDs.**

### JPMS's Estimated Value of the CDs

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JPMS's estimated value of the CDs set forth on the cover of this term sheet is equal to the sum of the values of the following hypothetical components: (1) a fixed-income component with the same maturity as the CDs, valued using an internal funding rate, and (2) the derivative or derivatives underlying the economic terms of the CDs. JPMS's estimated value does not represent a minimum price at which JPMS would be willing to buy your CDs in any secondary market (if any exists) at any time. The internal funding rate used in the determination of JPMS's estimated value is based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing liability management costs of the CDs. For additional information, see "Selected Risk Considerations — JPMS's Estimated Value Is Derived by Reference to an Internal Funding Rate."

The value of the derivative or derivatives underlying the economic terms of the CDs is derived from JPMS's internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, JPMS's estimated value of the CDs is determined when the terms of the CDs are set based on market conditions and other relevant factors and assumptions existing at that time.

JPMS's estimated value of the CDs does not represent future values of the CDs and may differ from others' estimates. Different pricing models and assumptions could provide valuations for the CDs that are greater than or less than JPMS's estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the value of the CDs could change significantly based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which JPMS would be willing to buy CDs from you in secondary market transactions.

JPMS's estimated value of the CDs will be lower than the original issue price of the CDs because costs associated with selling, structuring and hedging the CDs are included in the original issue price of the CDs. These costs include the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs and the estimated cost of hedging our obligations under the CDs. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. A portion of the profits, if any, realized in hedging our obligations under the CDs may be allowed to other affiliated or unaffiliated dealers, and we or one or more of our affiliates will retain any remaining hedging profits, if any. See "Selected Risk Considerations — JPMS's Estimated Value of the CDs Will Be Lower Than the Original Issue Price (Price to Public) of the CDs" in this term sheet.

## Secondary Market Prices of the CDs

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For information about factors that will impact any secondary market prices of the CDs, see “Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — Secondary market prices of the CDs will be impacted by many economic and market factors” in the accompanying disclosure statement. In addition, we generally expect that some of the costs included in the original issue price of the CDs will be partially paid back to you in connection with any repurchases of your CDs by JPMS in an amount that will decline to zero over an initial predetermined period. These costs can include projected hedging profits, if any, and, in some circumstances, estimated hedging costs and our internal secondary market funding rates for structured issuances. This initial predetermined time period is intended to be the shorter of six months and one-half of the stated term of the CDs. The length of any such initial period reflects the structure of the CDs, whether our affiliates expect to earn a profit in connection with our hedging activities, the estimated costs of hedging the CDs and when these costs are incurred, as determined by JPMS. See “Selected Risk Considerations — The Value of the CDs as Published by JPMS (and Which May Be Reflected on Customer Account Statements) May Be Higher Than JPMS’s Then-Current Estimated Value of the CDs for a Limited Time Period.”

## Supplemental Use of Proceeds

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The CDs are offered to meet investor demand for products that reflect the risk-return profile and market exposure provided by the CDs. See “Hypothetical Payout Profile” and “How the CDs Work” in this term sheet for an illustration of the risk-return profile of the CDs and “The J.P. Morgan Dorsey Wright Focus 5 Balanced Index 8.5%” in this term sheet for a description of the market exposure provided by the CDs.

The original issue price of the CDs is equal to JPMS’s estimated value of the CDs plus the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, plus (minus) the projected profits (losses) that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs, plus the estimated cost of hedging our obligations under the CDs.

## Additional Terms Specific to the CDs

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You may revoke your offer to purchase the CDs at any time prior to the time at which we accept such offer by notifying the applicable dealer. We reserve the right to change the terms of, or reject any offer to purchase, the CDs prior to their issuance. In the event of any changes to the terms of the CDs, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

You should read this term sheet together with the disclosure statement dated January 29, 2015 and underlying supplement no. CD-18-II dated September 28, 2015. This term sheet, together with the documents listed below, contains the terms of the CDs and supersedes all other prior or contemporaneous oral statements as well as any other written materials, including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours and, to the extent of any inconsistency, any certificate of deposit disclosure statement produced and furnished by any unaffiliated dealer. You should carefully consider, among other things, the matters set forth in “Risk Factors” in the accompanying disclosure statement and “Risk Factors” in the accompanying underlying supplement, as the CDs involve risks not associated with conventional certificates of deposit. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the CDs.

### You may access these documents on our website:

- Disclosure statement dated January 29, 2015:  
[http://www.jpmorgan.com/directdoc/Equity\\_Omnibus\\_CD\\_Disclosure\\_Statement\\_2.0](http://www.jpmorgan.com/directdoc/Equity_Omnibus_CD_Disclosure_Statement_2.0)
- Underlying supplement no. CD-18-I dated September 28, 2015:  
[http://www.jpmorgan.com/directdoc/CD\\_18\\_II\\_Underlying\\_Supplement](http://www.jpmorgan.com/directdoc/CD_18_II_Underlying_Supplement)

You may access information related to the audited Consolidated Financial Statements of JPMorgan Chase Bank, N.A. as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 at the following URL:

- [http://www.jpmorgan.com/directdoc/JPMCB\\_Consolidated\\_Financial\\_Statements\\_2015](http://www.jpmorgan.com/directdoc/JPMCB_Consolidated_Financial_Statements_2015)

As used in this term sheet, “we,” “us,” “our” and “JPMorgan Chase Bank” refer to JPMorgan Chase Bank, National Association.



## DISCLOSURE STATEMENT



**Certificates of Deposit Linked to One or More Reference Stocks, Indices or Funds**  
**JPMorgan Chase Bank, National Association**  
**270 Park Avenue, New York, New York 10017**

### General

- JPMorgan Chase Bank, National Association (the “**Bank**”) may from time to time offer and sell certificates of deposit (“**CDs**”) that are linked to one or more Reference Stocks, Indices or Funds (each, as defined below). Investing in the CDs is not equivalent to investing (or taking a short position) directly in any Reference Stock, Index or Fund or any of the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund.
- The CDs will be obligations of the Bank only, and not obligations of your broker or any affiliate of the Bank, including J.P. Morgan Securities LLC and JPMorgan Chase & Co. The CDs are insured only within the limits and to the extent described in this disclosure statement. See “Deposit Insurance” in this disclosure statement. **Any payment on the CDs in excess of FDIC insurance limits is subject to the credit risk of the Bank.**
- This disclosure statement describes terms that will apply generally to the CDs. A separate term sheet or disclosure supplement, as the case may be, will describe terms that apply to specific issuances of the CDs, including any changes to the terms specified below. We refer to these term sheets and disclosure supplements generally as terms supplements. A separate underlying supplement or the relevant terms supplement will describe any Index or Fund to which the CDs are linked. If the terms described in the relevant terms supplement are inconsistent with those described in this disclosure statement or in any accompanying underlying supplement, the terms described in the relevant terms supplement will govern your CDs.
- The CDs are not appropriate for all investors and involve a number of risks and important legal and tax consequences that should be discussed with your professional advisers.
- For important information about tax consequences relating to the CDs, see “Material U.S. Federal Income Tax Consequences” beginning on page 78 of this disclosure statement.

### Key Terms

Underlyings:	In this disclosure statement, we refer to any common stock (each, a “ <b>Reference Stock</b> ”), index (each, an “ <b>Index</b> ”) or fund (each, a “ <b>Fund</b> ”) referenced in the determination of any payment on the CDs as an “ <b>Underlying</b> ” and, collectively, as the “ <b>Underlyings</b> .” See “The Underlyings” in this disclosure statement.
Payments on the CDs:	You will receive a cash payment at maturity for each CD of not less than the principal amount. Any amount payable on the CDs in addition to the principal amount will be determined pursuant to the terms set forth in the relevant terms supplement. If the amount of any such additional payment calculated as set forth in the relevant terms supplement is less than zero, the amount of that payment will be \$0. <i>For CDs linked in whole or in part to a Commodity Index, the timing and amount of any payment on the CDs may be affected by the occurrence of a commodity hedging disruption event. See “General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event” for additional information.</i>
Determination Date(s):	The relevant terms supplement will specify each date on which the value of any Underlying is to be referenced in the determination of any payment on the CDs (each, a “ <b>Determination Date</b> ”). Unless otherwise specified in the relevant terms supplement, each Determination Date is subject to postponement as described under “General Terms of the CDs — Postponement of a Determination Date.”
Payment Date(s):	The relevant terms supplement will specify the maturity date and any other date on which amounts will or may be payable on the CDs (each, a “ <b>Payment Date</b> ”). Unless otherwise specified in the relevant terms supplement, each Payment Date is subject to postponement as described under “General Terms of the CDs — Postponement of a Payment Date.”
Early Withdrawals:	Early withdrawals are available at par upon death or adjudication of incompetence of a beneficial holder of the CDs. For information about early withdrawals and the limitations on such early withdrawals, see “General Terms of the CDs — Additions and Withdrawals.”

**Investing in the CDs involves a number of risks, including the risk that, unless otherwise specified in the relevant terms supplement, you might receive no more than the full principal amount of your CDs at maturity. See “Risk Factors” beginning on page 6 of this disclosure statement.**

The principal amount of the CDs and, if applicable, any fixed payment at maturity in addition to the principal amount of the CDs that may have accrued, is insured by the Federal Deposit Insurance Corporation (the “**FDIC**”) within the limits and to the extent described in this disclosure statement (\$250,000 for all accounts held by a depositor in the same ownership capacity with the Bank and per participant for certain retirement accounts as described in the section entitled “Deposit Insurance” in this disclosure statement). A depositor purchasing a principal amount of CDs that is in excess of \$250,000, or which, together with other deposits that it maintains at the Bank in the same ownership capacity, is in excess of such limit, should not rely on the availability of deposit insurance with respect to such excess. Under FDIC interpretations, any amount the payment of which is based on the performance of one or more Reference Stocks, Indices or Funds would not be insured prior to the date on which the amount of such payment is determined and accrued. Furthermore, any fixed payment at maturity in addition to the principal amount of the CDs, if applicable, would not be subject to FDIC insurance prior to the date on which that amount is accrued. Any secondary market premium paid by a depositor above the principal amount of the CDs would not be insured by the FDIC. For additional information, please see “Risk Factors — Risks Relating to the CDs Generally — The CDs may be subject to the credit risk of JPMorgan Chase Bank, National Association.”

Our affiliate, J.P. Morgan Securities LLC, and other broker-dealers may use this disclosure statement, any relevant underlying supplement and an accompanying terms supplement in connection with the offers and sales of the CDs after the date hereof. J.P. Morgan Securities LLC may act as principal or agent in those transactions.

J.P.Morgan

January 29, 2015

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We have not authorized anyone to provide any information other than that contained or incorporated by reference in the relevant terms supplement, this disclosure statement or any underlying supplement with respect to the CDs offered by the relevant terms supplement and with respect to the Bank. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The relevant terms supplement, together with this disclosure statement and any underlying supplement, will contain the terms of the CDs and will supersede all other prior or contemporaneous oral statements as well as any other written materials, including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. The information in each of the relevant terms supplement, this disclosure statement and any underlying supplement may be accurate only as of the date of that document.

The CDs are not appropriate for all investors and involve a number of risks and important legal and tax consequences that should be discussed with your professional advisers. You should be aware that the regulations of Financial Industry Regulatory Authority, Inc., or FINRA, and the laws of certain jurisdictions (including regulations and laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of the CDs. The relevant terms supplement, this disclosure statement and any underlying supplement do not constitute an offer to sell or a solicitation of an offer to buy the CDs under any circumstances in which that offer or solicitation is unlawful.

In the relevant terms supplement, this disclosure statement and any underlying supplement, “we,” “us,” “our” and the “Bank” refer to JPMorgan Chase Bank, National Association, unless the context requires otherwise.

## DESCRIPTION OF THE CDs

### General

The Bank will be obligated to repay the principal amount of the CDs regardless of any changes in the value of any Underlying (defined below). The CDs are insured only within the limits and to the extent described in this disclosure statement. See “Deposit Insurance” in this disclosure statement.

The CDs will be issued in minimum denominations specified in the relevant terms supplement, and the principal amount of each CD (the “**Principal Amount**”) and the original issue price of each CD will be specified in the relevant terms supplement.

### The Underlying(s)

The relevant terms supplement will specify the manner in which the Underlying(s) will be referenced in the determination of any payment on the CDs. Payments on the CDs may reflect long (or bullish) exposure to one or more Underlyings (meaning that an increase in the value of the relevant Underlying(s) would generally be expected to have a positive effect on payments on the CDs) and/or short (or bearish) exposure to one or more Underlyings (meaning that a decrease in the value of the relevant Underlying(s) would generally be expected to have a positive effect on payments on the CDs).

In addition, the CDs may be Single Underlying CDs, Basket CDs, Least Performing Underlying CDs, Greatest Performing Underlying CDs or Relative Performance CDs or the relevant terms supplement may specify that, in the determination of any payments on the CDs, the Underlyings will be referenced in a manner that does not directly correspond with any of these types of CDs.

*Single Underlying CDs.* “**Single Underlying CDs**” reference the performance of a single Underlying in the determination of one or more payments on the CDs.

*Basket CDs.* “**Basket CDs**” reference the performance of a weighted basket composed of two or more Underlyings (a “**Basket**”) in the determination of one or more payments on the CDs.

*Least Performing Underlying CDs.* “**Least Performing Underlying CDs**” reflect long (or bullish) exposure to the Underlying with the lowest performance out of the Underlyings specified in the relevant terms supplement in the determination of one or more payments on the CDs. Payments on Least Performing Underlying CDs will generally be determined by reference to the performance of the Underlying that would result in the worst performance of the CDs.

*Greatest Performing Underlying CDs.* “**Greatest Performing Underlying CDs**” reflect short (or bearish) exposure to the Underlying with the highest performance out of the Underlyings specified in the relevant terms supplement in the determination of one or more payments on the CDs. Payments on Greatest Performing Underlying CDs will generally be determined by reference to the performance of the Underlying that would result in the worst performance of the CDs.

*Relative Performance CDs.* “**Relative Performance CDs**” reference the relative performance of two or more Underlyings, with long exposure to one or more Underlyings (each, a “**Long Underlying**”) and short exposure to one or more other Underlying(s) (each, a “**Short Underlying**”), in the determination of one or more payments on the CDs.

### *Terms Relating to Valuation of the Underlying(s)*

The relevant terms supplement will specify the manner in which the initial value, the final value and, if applicable, the strike value of Underlying(s) will be determined. The relevant terms supplement will also specify the manner in which values of the Underlying(s) will be used in the determination of any payment on the CDs.

*Initial Value.* The relevant terms supplement will specify the manner in which the initial value of any Underlying will be determined. For example, with respect to any Underlying, the relevant terms supplement may specify that the initial value of that Underlying will be determined by reference to the value of that Underlying on the pricing date or on multiple dates near the beginning of the term of the CDs or may specify that the initial value will be equal to a fixed value. Unless otherwise specified in the relevant terms supplement, the initial value of any Underlying will be determined near the beginning of the term of the CDs and will be used in determining the performance of that Underlying or as a reference point against which later values of that Underlying will be compared.

*Final Value.* The relevant terms supplement will specify the manner in which the final value of any Underlying with respect to any day will be determined. For example, with respect to any Underlying, the relevant terms supplement may specify that the final value of that Underlying will be determined by reference to the value of that Underlying on that day or on multiple dates during the term of the CDs. Unless otherwise specified in the relevant terms supplement, the final value of any Underlying with respect to any day will be determined after the determination of the initial value and will be used in determining the performance of that Underlying or as a reference point to be compared to the initial value of that Underlying or to other values specified in the relevant terms supplement.

*Strike Value.* The relevant terms supplement may specify a value to be used instead of, or in addition to, the initial value of an Underlying to be used in determining the performance of that Underlying or as a reference point against which later values of that Underlying will be compared. If applicable, the relevant terms supplement will specify the manner in which the strike value of any Underlying will be determined. For example, with respect to any Underlying, the relevant terms supplement may specify a fixed value for the strike value of that Underlying or may specify that the strike value of that Underlying will be equal to a specified percentage of the initial value of that Underlying.

*Determination Dates.* The relevant terms supplement will specify each date on which the value of any Underlying is to be referenced in the determination of any payment on the CDs (each, a “**Determination Date**”). Unless otherwise specified in the relevant terms supplement, each Determination Date is subject to postponement as described under “General Terms of the CDs — Postponement of a Determination Date” below.

See “The Underlyings” in this disclosure statement for a description of how the value of each Underlying will be determined. Each Underlying and the value of each Underlying are subject to adjustment under certain circumstances. See “General Terms of the CDs — Postponement of a Determination Date” and “The Underlyings” below for additional information.

#### ***Additional Terms Relating to Underlyings***

In this disclosure statement, we use the following terms in connection with the Underlyings.

*American Depositary Shares.* As used in this disclosure statement, the term “common stock” includes securities issued through depositary arrangements that represent non-U.S. equity securities, such as American depositary shares, or ADSs. If a Reference Stock is an ADS, references to the “issuer” of that Reference Stock refer to the issuer of the shares underlying the ADS.

*Bond Fund.* We refer to a Fund that is designed to track a bond index or that invests primarily in debt securities as a “**Bond Fund**.”

*Bond Index.* We refer to an Index that is designed to track debt securities as a “**Bond Index**.”

*Commodity Fund.* We refer to a Fund that is designed to track a commodity index or that invests primarily in commodities or commodity futures contracts as a “**Commodity Fund**.”

*Commodity Index.* We refer to an Index that is designed to track commodity futures contracts as a “**Commodity Index**.”

*Equity Index.* We refer to an Index that is designed to track equity securities as an “**Equity Index**.”

*Non-U.S. Fund.* We refer to a Fund that invests primarily in securities issued by non-U.S. companies as a “**Non-U.S. Fund.**”

*Non-U.S. Index.* We refer to an Index that is designed to track primarily securities issued by non-U.S. companies as a “**Non-U.S. Index.**”

*Underlying Index.* We refer to an index tracked by a Fund (or a successor fund, if applicable) as an “**Underlying Index.**”

*Underlying Stock.* We refer to the common stock represented by an ADS as an “**Underlying Stock.**”

## **Payments on the CDs**

You will receive a cash payment at maturity for each CD of not less than the principal amount. Any amount payable on the CDs in addition to the principal amount will be determined pursuant to the terms set forth in the relevant terms supplement. If the amount of any such additional payment calculated as set forth in the relevant terms supplement is less than zero, the amount of that payment will be \$0. **Any payment on the CDs in excess of FDIC insurance limits is subject to the credit risk of the Bank.**

*For CDs linked in whole or in part to a Commodity Index, the timing and amount of any payment on the CDs may be affected by the occurrence of a commodity hedging disruption event. See “General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event” for additional information.*

The relevant terms supplement will specify the maturity date and any other date on which amounts will or may be payable on the CDs (each, a “**Payment Date**”). Unless otherwise specified in the relevant terms supplement, each Payment Date is subject to postponement as described under “General Terms of the CDs — Postponement of a Payment Date” below.

The “**calculation agent**” or “**CD calculation agent**” is the agent appointed by us to make certain calculations with respect to the CDs, which, unless otherwise specified in the relevant terms supplement, will be J.P. Morgan Securities LLC (“**JPMS**”). See “General Terms of the CDs — CD Calculation Agent” below. JPMS is our affiliate and may have interests adverse to yours. Please see “Risk Factors — Risks Relating to Conflicts of Interest — We or our affiliates may have economic interests that are adverse to those of the holders of the CDs due to JPMS’s role as CD calculation agent.”

## **Interest Payments**

If the relevant terms supplement specifies that the CDs will bear periodic interest, the CDs will pay interest in arrears at the per annum rate, or such other rate or rates, including rates that reference the performance of the Underlying(s), as specified in the relevant terms supplement. The relevant terms supplement may also specify that the payment of interest is contingent on the performance of the Underlying(s).

Unless otherwise specified in the relevant terms supplement, the interest payment due on each interest payment date specified in the relevant terms supplement for each CD, if payable under the terms specified in the relevant terms supplement, will be calculated as follows:

$$\text{Principal Amount} \times \text{Interest Rate} \times 1 / \text{number of interest payment dates per year}$$

where the number of interest payment dates per year is determined by the frequency of the interest payment dates and how many interest payment dates would occur over the course of a full year regardless of the actual term of the CDs.

If the payment of interest is not contingent on the performance of the Underlying(s), interest will accrue from and including the issue date of the CDs to but excluding the maturity date. Unless otherwise specified in the relevant terms supplement, interest will be payable in arrears on each interest payment date to and including the maturity date to the holders of record at the close of business on the business day prior to that interest payment date.

***Payment upon Early Call at Our Option***

The relevant terms supplement may specify that the CDs will be subject to early call at our option. No further payments will be made on the CDs after they have been called early.

If the relevant terms supplement specifies that the CDs include an optional call feature, we will have the right, at our election, to call the CDs in whole but not in part on any of the dates specified in the relevant terms supplement for a cash payment that will be determined as set forth in the relevant terms supplement. If we intend to call your CDs, we will deliver notice to the Depository Trust Company (“DTC”), as holder of the CDs, at least such number of business days specified in the relevant terms supplement prior to the date on which the CDs are to be called early.

***Payment at Maturity***

At maturity, you will receive a cash payment for each CD of not less than the principal amount of the CD, which represents a repayment of the principal amount of the CDs. The relevant terms supplement will specify the manner in which any additional payment at maturity will be determined.

**You should compare the features of the CDs to other available investments before deciding to purchase a CD. Because payments on the CDs may be based on the performance of one or more Underlyings, the returns that may be received with respect to the CDs may be lower than the amounts that would be paid on ordinary deposits with the Bank or other deposit options that may be available to you through your brokers. Unless otherwise specified in the relevant term sheet, you might receive no payments on the CDs other than the repayment of the principal amount of the CDs at maturity. Under these circumstances, you would not receive compensation for any loss in value due to inflation and other factors relating to the value of money over time. You should reach an investment decision only after carefully considering the suitability of an investment in the CDs in light of your particular circumstances.**

## **ESTIMATED VALUE AND SECONDARY MARKET PRICES OF THE CDs**

### **JPMS's Estimated Value of the CDs**

Unless otherwise specified in the relevant terms supplement, the estimated value of the CDs when the terms of the CDs are set, which we refer to as JPMS's estimated value of the CDs, will be set forth in the relevant terms supplement and will be equal to the sum of the values of the following hypothetical components: (1) a fixed-income component with the same maturity as the CDs, valued using our internal funding rate described below, and (2) the derivative or derivatives underlying the economic terms of the CDs. JPMS's estimated value will not represent a minimum price at which JPMS would be willing to buy your CDs in any secondary market (if any exists) at any time. The internal funding rate used in the determination of JPMS's estimated value will be based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing liability management costs of the CDs. For additional information, see "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — JPMS's estimated value is derived by reference to an internal funding rate" below in this disclosure statement. The value of the derivative or derivatives underlying the economic terms of the CDs will be derived from JPMS's internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, correlation, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, JPMS's estimated value of the CDs will be determined when the terms of the CDs are set based on market conditions and other relevant factors and assumptions existing at that time. See "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — JPMS's estimated value will not represent future values of the CDs and may differ from others' estimates" below in this disclosure statement.

Unless otherwise specified in the relevant terms supplement, JPMS's estimated value of the CDs will be lower than the original issue price of the CDs because costs associated with selling, structuring and hedging the CDs will be included in the original issue price of the CDs. These costs include the selling commissions and structuring fees, if any, paid to JPMS and other affiliated or unaffiliated dealers, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs and the estimated cost of hedging our obligations under the CDs. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the CDs unless a portion of the hedging profits is allowed to other affiliated or unaffiliated dealers. Under those circumstances, we or one or more of our affiliates will retain any remaining hedging profits. See "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — JPMS's estimated value of the CDs will be lower than the original issue price (price to public) of the CDs" below in this disclosure statement.

### **Secondary Market Prices of the CDs**

For information about factors that will impact any secondary market prices of the CDs, see "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — Secondary market prices of the CDs will be impacted by many economic and market factors" below in this disclosure statement. In addition, the relevant terms supplement may specify that we will generally expect some of the costs included in the original issue price of the CDs to be partially paid back to you in connection with any repurchases of your CDs by JPMS in an amount that will decline to zero over an initial predetermined period that will be specified in the relevant terms supplement. The length of any such initial period will reflect the structure of the CDs, whether our affiliates expect to earn a profit in connection with our hedging activities, the estimated costs of hedging the CDs and when these costs are incurred, all as determined by JPMS. See "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the CDs — The value of the CDs as published by JPMS (and which may be reflected on customer account statements) may be higher than JPMS's then-current estimated value of the CDs for a limited time period" below in this disclosure statement.

## **RISK FACTORS**

*Your investment in the CDs will involve certain risks. Unless otherwise specified in the relevant terms supplement, the CDs do not pay periodic interest. Investing in the CDs is not equivalent to investing (or taking a short position) directly in any Reference Stock, Index or Fund or any of the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund. In addition, your investment in the CDs entails other risks not associated with an investment in conventional bank deposits. **You should consider carefully the following discussion of risks, as well as the discussion of risks included in the relevant terms supplement and any accompanying underlying supplement, before you decide that an investment in the CDs is suitable for you.***

### **Risks Relating to the CDs Generally**

#### **The CDs differ from conventional bank deposits.**

The terms of the CDs differ from those of conventional bank deposits in that we may not pay periodic interest on the CDs or, if we do pay periodic interest, all or a significant portion of your total return on the CDs may be based on the performance of the Underlying(s). Because payments on the CDs may be based on the performance of the Underlying(s), the returns that may be received with respect to the CDs may be lower than the amounts that would be paid on ordinary deposits with the Bank or other deposit options that may be available to you through your brokers. Unless otherwise specified in the relevant terms supplement, you might receive no payments on the CDs other than the repayment of the principal amount of the CDs at maturity. Under these circumstances, you would not receive compensation for any loss in value due to inflation and other factors relating to the value of money over time.

#### **The CDs may be subject to the credit risk of JPMorgan Chase Bank, National Association.**

A depositor purchasing a principal amount of CDs that, when aggregated with all other deposits held by the depositor in the same right and capacity at JPMorgan Chase Bank, National Association, is in excess of applicable FDIC insurance limits will be subject to the credit risk of JPMorgan Chase Bank, National Association, and our credit ratings and credit spreads may adversely affect the market value of the CDs. Investors are dependent on JPMorgan Chase Bank, National Association's ability to pay all amounts due on the CDs in excess of FDIC insurance limits. Any actual or potential changes in our creditworthiness or the credit spreads, as determined by the market for taking our credit risk, is likely to affect adversely the value of the CDs. For more information, see "Deposit Insurance" in this disclosure statement.

#### **The appreciation potential of the CDs may be limited.**

The relevant terms supplement may specify that the return or payment at maturity on the CDs in excess of the principal amount will not exceed a specified value. Under these circumstances, the appreciation potential of the CDs will be limited to that specified value, regardless of the performance of the Underlying(s). In addition, if the relevant terms supplement specifies that the CDs will or may pay interest, the appreciation potential of the CDs may be limited to any interest payments, regardless of the performance of the Underlying(s).

#### **We or our affiliates may have interests that are adverse to those of the holders of the CDs.**

We or our affiliates may have interests that are adverse to those of the holders of the CDs. See "— Risks Relating to Conflicts of Interest" below.

#### **If the CDs are called early, you will be exposed to reinvestment risk.**

The term of the CDs may be limited by any optional call feature set forth in the relevant terms supplement. No further payments will be made on the CDs after they have been called early. If the CDs are called early, the term of your investment in the CDs will be limited to a period that is shorter than the original term of the CDs. There is no guarantee that you would be able to reinvest the proceeds from an investment in the CDs at a comparable return for a similar level of risk in the event that the CDs are called early.



**The payment upon an early call may be substantially less than the market value of the CDs.**

If the CDs include an optional call feature, the CDs may be redeemed early at a time when prevailing interest rates are relatively low or at a time when the performance of the Underlying(s) has caused the value of the CDs to increase substantially since issuance. Accordingly, any payment upon early redemption determined in the manner set forth in the relevant terms supplement may be substantially less than the market value of the CDs.

**The values of the Underlying(s) will be referenced only on the Determination Date(s) for purposes of determining any payment on the CDs.**

The relevant terms supplement will specify each Determination Date on which the value of any Underlying is to be referenced in the determination of any payment on the CDs. The value of the CDs and any payment on the CDs may be adversely affected by referencing the values of the Underlying(s) only on Determination Dates. For example, for CDs that provide for a single payment at maturity based on the long (or bullish) performance of an Underlying, as measured from the pricing date to a single Determination Date near the end of the term of the CDs, if the value of that Underlying increases or remains relatively constant during the initial term of the CDs and then decreases below the initial value of that Underlying, the final value of that Underlying may be significantly less than if it were calculated on a date earlier than the Determination Date. Under these circumstances, you may receive a lower return on the CDs than you would have received if you had invested directly in any Reference Stock, Index or Fund, the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund or any exchange-traded or over-the-counter instruments based on any of the foregoing.

**JPMS's estimated value of the CDs will be lower than the original issue price (price to public) of the CDs, and secondary market prices of the CDs will be impacted by many economic and market factors.**

JPMS's estimated value of the CDs will be lower than the original issue price (price to public) of the CDs, and secondary market prices of the CDs will be impacted by many economic and market factors. See “— Risks Relating to the Estimated Value and Secondary Market Prices of the CDs” below.

**The CDs are designed to be held to maturity.**

The CDs are not designed to be short-term trading instruments. The price at which you will be able to sell your CDs to us or our affiliates prior to maturity, if at all, may be at a substantial discount from the principal amount of the CDs, even in cases where any Underlying to which the CDs provide long (or bullish) exposure has appreciated since the pricing date and/or any Underlying to which the CDs provide short (or bearish) exposure has depreciated since the pricing date. The potential returns described in the relevant terms supplement assume that your CDs are held to maturity.

**Secondary trading may be limited.**

Unless otherwise specified in the relevant terms supplement, the CDs will not be listed on any securities exchange. There may be little or no secondary market for the CDs. Even if there is a secondary market for the CDs, it may not provide enough liquidity to allow you to trade or sell the CDs easily.

JPMS may act as a market-maker for the CDs, but is not required to do so. Because we do not expect that other market-makers will participate significantly in the secondary market for the CDs, the price at which you may be able to trade your CDs is likely to depend on the price, if any, at which JPMS is willing to buy the CDs. If at any time JPMS or another agent does not act as a market-maker, it is likely that there would be little or no secondary market for the CDs.

**If the value of an Underlying changes, the market value of your CDs may not change proportionately.**

Owning the CDs is not the same as investing (or taking a short position) directly in any Reference Stock, Index or Fund or any of the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund. Accordingly, changes in the value of an Underlying may not result in a proportionate change in the

market value of the CDs. For example, for CDs that provide long (or bullish) exposure to an Underlying, if the value of that Underlying on any day has increased, the value of the CDs may not increase comparably, if at all. It is possible for the value of that Underlying to increase moderately while the value of those CDs declines.

**You will have no ownership rights in any Reference Stock, Index or Fund or any of the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund.**

Investing in the CDs is not equivalent to investing (or taking a short position) directly in any Reference Stock, Index or Fund or any of the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund, the Underlying Stock underlying a Reference Stock that is an ADS or exchange-traded or over-the-counter instruments based on any of the foregoing. As a holder of the CDs, you will not have any ownership interests or rights in any of the foregoing.

**Concentration risks may adversely affect the value of the CDs.**

If any payment on the CDs will be based on the performance of a single Reference Stock, Index or Fund or on a small number of Reference Stocks, Indices or Funds that are concentrated in a single or a limited number of industry or commodity sectors or geographical regions, you will not benefit, with respect to the CDs, from the advantages of a diversified investment, and you will bear the risks of a concentrated investment, including the risk of greater volatility than may be experienced in connection with a diversified investment. You should be aware that other investments may be more diversified than the CDs in terms of the number and variety of industry or commodity sectors or geographical regions.

**For CDs linked in whole or in part to a Commodity Index, if a commodity hedging disruption event occurs, the timing and amount of any payment on the CDs could be affected.**

For CDs linked in whole or in part to a Commodity Index, upon the occurrence of legal or regulatory changes that the CD calculation agent determines have interfered with our or our affiliates' ability to hedge our obligations under the CDs, or if for any other reason we or our affiliates are unable to enter into or maintain hedge positions that the CD calculation agent deems necessary to hedge our obligations under the CDs, we may, in our sole and absolute discretion, adjust the timing and amount of any payment on the CDs as described below. If a commodity hedging disruption event occurs, the value of the CDs and any payment on the CDs may be adversely affected. See "General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event" and "— Risks Relating to a Commodity Index or a Commodity Fund — The commodity futures contracts underlying a Commodity Index or a Commodity Fund are subject to legal and regulatory regimes that may change in ways that could have a substantial adverse effect on the value of the CDs and, for CDs linked to a Commodity Index, could affect the timing and amount of any payment on the CDs" below.

*For CDs that are linked in whole or in part to a Commodity Index and that provide for a payment at maturity for each CD of the Principal Amount plus a cash payment determined as specified in the relevant terms supplement*

If a commodity hedging disruption event occurs, we will have the right, but not the obligation, to cease making further interest payments (if the CDs pay interest based on the performance of the Underlying(s)) and to adjust your payment at maturity based on determinations made by the CD calculation agent. If a commodity hedging disruption event occurs and we choose to exercise this right, for each CD, we will pay you at maturity, instead of the amount set forth in the relevant terms supplement, an amount equal to:

- the Principal Amount *plus*
- the Option Value of your CDs, determined as described under "General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event — Adjustment of the Payment at Maturity."

Under these circumstances, the Option Value will be payable only at maturity and will not reflect any appreciation or depreciation of the Underlying(s) after the date on which the CD calculation agent determines that a commodity hedging disruption event has occurred, which we refer to as a commodity hedging disruption date. You will not receive further interest payments, if applicable, or any other amounts (related to the Option Value or otherwise) until

maturity. If a commodity hedging disruption event ceases to exist, the amounts determined on the commodity hedging disruption date will not be subsequently revised. See “General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event — Adjustment of the Payment at Maturity.”

*For CDs that are linked in whole or in part to a Commodity Index and that pay interest based in whole or in part on the performance of the Underlying(s) and that provide for a payment at maturity for each CD of the Principal Amount*

If a commodity hedging disruption event occurs, we will have the right, but not the obligation, to adjust further interest payments based on the CD calculation agent’s good faith determination of the Option Value of your CDs on the commodity hedging disruption date. Instead of the amounts set forth in the relevant terms supplement, we will pay you on each remaining interest payment date an amount equal to:

- the Option Value of your CDs, determined as described under “General Terms of the CDs — Consequences of a Commodity Hedging Disruption Event — Adjustment of Remaining Interest Payments” *divided by*
- the number of interest payment dates occurring after the commodity hedging disruption date.

The interest payment on each remaining interest payment date will be fixed, regardless of any further appreciation or depreciation of the Underlying(s) after the commodity hedging disruption date. If a commodity hedging disruption event ceases to exist, the amounts determined on the commodity hedging disruption date will not be subsequently revised.

**The CDs are not regulated by the Commodity Futures Trading Commission (the “CFTC”).**

The net proceeds to be received by us from the sale of the CDs will not be used to purchase or sell any futures contracts or options on futures contracts for your benefit. An investment in the CDs thus does not constitute either an investment in futures contracts or options on futures contracts or an investment in a collective investment vehicle that trades in these futures contracts (*i.e.*, the CDs will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory protections of the CFTC. Among other things, this means that we are not registered with the CFTC as a futures commission merchant and you will not benefit from the CFTC’s or any other non-U.S. regulatory authority’s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. For example, the price you pay to purchase CDs will be used by us for our own purposes and will not be subject to customer funds segregation requirements provided to customers that trade futures on an exchange regulated by the CFTC.

Unlike an investment in the CDs, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool, and its operator may be required to register with and be regulated by the CFTC as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the CDs will not be interests in a commodity pool, the CDs will not be regulated by the CFTC as a commodity pool, we will not be registered with the CFTC as a commodity pool operator and you will not benefit from the CFTC’s or any non-U.S. regulatory authority’s regulatory protections afforded to persons who invest in regulated commodity pools.

**Regulatory developments and investigations may result in changes to the rules or methodology used to determine the value of an Underlying, which may adversely affect any payment on the CDs.**

The methodologies used to determine the value of certain “benchmarks,” which may include one or more Underlyings, are the subject of recent national, international and other regulatory guidance, proposals for reform and investigations. These reforms or changes made in response to these investigations may cause those benchmarks to perform differently than in the past and may have other consequences that cannot be predicted. In addition, market participants may elect not to continue to participate in the administration of certain benchmarks if these reforms and investigations increase the costs and risks associated with those activities, which could cause changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. Any of these changes could adversely affect the value of the CDs and any payment on the CDs.

**Market disruptions may adversely affect your return.**

The CD calculation agent may, in its sole discretion, determine that the markets have been affected in a manner that prevents it from determining the value of any Underlying on any Determination Date and the amount of any payment on the CDs. These events may include disruptions or suspensions of trading in the markets as a whole. If the CD calculation agent, in its sole discretion, determines that any of these events prevents us or any of our affiliates from properly hedging our obligations under the CDs, it is possible that one or more Determination Dates and Payment Dates will be postponed and that your return will be adversely affected. Market disruption events are defined in the relevant sections of “The Underlyings” below. In addition, if any Determination Date is postponed to the last possible day and the value of any Underlying is not available on that day because of a market disruption event or because that date is not a trading day, the CD calculation agent will nevertheless determine the value of that Underlying on that last possible day. See “General Terms of the CDs — Postponement of a Determination Date” and “General Terms of the CDs — Postponement of a Payment Date” for more information.

**Generally, if the term of the CDs is not more than one year, the CDs will be treated as short-term obligations for U.S. federal income tax purposes.**

In general, if the term of the CDs is not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both), the CDs will be treated as “short-term obligations” for U.S. federal income tax purposes. No statutory, judicial or administrative authority directly addresses the treatment of these CDs or similar instruments for U.S. federal income tax purposes, and we do not intend to request a ruling from the Internal Revenue Service (the “IRS”) with respect to these CDs. As a result, certain aspects of the U.S. federal income tax consequences of an investment in the CDs are uncertain. You should review carefully the section entitled “Material U.S. Federal Income Tax Consequences” in this disclosure statement and consult your tax adviser regarding your particular circumstances.

**Generally, for CDs that provide for an Additional Amount and have a term of more than one year, we expect that the the CDs will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes.**

In general, if the term of the CDs is more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both) and the CDs provide for an Additional Amount, we expect that the CDs will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes. Under this treatment, subject to the occurrence of a commodity hedging disruption event, you generally will be required to recognize interest income in each year at the “comparable yield,” as determined by us, adjusted to take account of the difference between actual and projected payments in that year. Interest included in income will increase your basis in your CDs and the projected amount of interest payments, if any, will reduce your basis in your CDs. Special rules may apply if the Additional Amount and/or contingent payment(s) are determined early, including as a result of a commodity hedging disruption event. Generally, amounts received at maturity or on earlier sale or exchange in excess of your basis will be treated as additional interest income. Any loss generally will be treated as an ordinary loss to the extent of all previous inclusions with respect to your CDs, with the balance treated as capital loss, which may be subject to limitations. Losses may be subject to special reporting requirements. You should review carefully the section entitled “Material U.S. Federal Income Tax Consequences” in this disclosure statement and consult your tax adviser regarding your particular circumstances.

**Generally, the tax treatment of CDs that do not provide for an Additional Amount and have a term of more than one year will not be clear.**

In general, if the term of the CDs is more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both) and the CDs do not provide for an Additional Amount, our tax counsel may provide a level of comfort as to whether the CDs will be treated as either “contingent payment debt instruments” or alternatively as “variable rate debt instruments” for U.S. federal income tax purposes, or we may simply determine to treat the CDs as either contingent payment debt instruments or variable rate debt instruments, depending on the terms of the particular offering. In any case, we expect that there will be some risk that the IRS could determine that our treatment of these CDs was incorrect. Any such determination could have adverse U.S. federal income tax consequences for you. You should review carefully the section entitled “Material U.S. Federal

Income Tax Consequences” in this disclosure statement and consult your tax adviser regarding your particular circumstances.

**Historical performance of any Underlying should not be taken as an indication of the future performance of that Underlying during the term of the CDs.**

The actual performance of any Underlying over the term of the CDs, as well as any payment on the CDs, may bear little relation to the historical performance of that Underlying. The future performance of any Underlying may differ significantly from its historical performance, and no assurance can be given as to the value of any Underlying during the term of the CDs, including on any Determination Date. It is impossible to predict whether the value of any Underlying will rise or fall. We cannot give you assurance that the performance of the Underlying(s) will not adversely affect any payment on the CDs.

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

If the FDIC were appointed as conservator or receiver of the Bank, the FDIC would be authorized to disaffirm or repudiate any contract to which the Bank is a party, the performance of which was determined to be burdensome, and the disaffirmance or repudiation of which was determined to promote the orderly administration of the Bank’s affairs. It is likely that, for this purpose, deposit obligations, such as the CDs, would be considered “contracts” within the meaning of the foregoing and that the CDs could be repudiated by the FDIC as conservator or receiver of the Bank. Such repudiation should result in a claim by a depositor against the conservator or receiver for the principal of the CDs. No claim would be available, however, for any secondary market premium paid by a depositor above the principal amount of a CD and no claims would likely be available for any payments that have not yet accrued.

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

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, in such an event, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

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

**The full principal amount of your CDs and any additional payments may not be protected by deposit insurance.**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”), which was enacted on July 21, 2010, permanently raised the maximum deposit insurance amount from \$100,000 to \$250,000 for all accounts held by a depositor in the same ownership capacity per depository institution (without changing limits for certain retirement accounts which had already been \$250,000). As a general matter, holders who purchase CDs in a principal amount greater than \$250,000 or whose CDs accrue any additional amount, together with the principal amount of the CDs, in excess of \$250,000, will not be insured by the FDIC for the principal amount plus any such additional amount exceeding \$250,000.

Any payments that will be based on the performance of one or more Underlyings as of the dates specified in the relevant terms supplement will not accrue to a holder of a CD until the date on which the amount of any such payment is determined. Accordingly, any such potential payment will not be eligible for federal deposit insurance prior to the date on which the amount of such payment is determined and accrued, and will be eligible for deposit

insurance coverage only from the date on which the amount of such payment is determined and has accrued until the time the Bank makes payment.

FDIC deposit insurance regulations may change from time to time in a manner that could adversely affect your eligibility for deposit insurance. For more information, see “Deposit Insurance” in this disclosure statement.

**The scope and extent of FDIC insurance coverage may change.**

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

**You will have limited rights to withdraw your funds prior to the maturity date of the CDs.**

By purchasing a CD, you agree with the Bank to keep your funds on deposit for the term of the CD. Early withdrawals are permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD. Therefore, you should not rely on this possibility for gaining access to your funds prior to the maturity date.

**State law limits the amount of interest that may be paid on loans (including bank certificates of deposit).**

New York State law governs the CDs. New York has certain usury laws that limit the amount of interest that may be charged and paid on loans, including bank certificates of deposit such as the CDs. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to instruments in which \$2,500,000 or more has been invested.

While we believe that New York law would be given effect by a state or federal court sitting outside of New York, many other states also have laws that regulate the amount of interest that may be charged to and paid by a borrower. We promise, for the benefit of the holders of the CDs, to the extent permitted by law, not to claim voluntarily the benefits of any laws concerning usurious rates of interest.

**Risks Relating to Conflicts of Interest**

**Our offering of the CDs does not constitute an expression of our view about, or a recommendation of, any Reference Stock, Index or Fund or the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund.**

You should not take our offering of the CDs as an expression of our views about how any Reference Stock, Index or Fund or the securities, commodities, futures contracts or other assets or market measures underlying any Index or Fund will perform in the future or as a recommendation to invest (directly or indirectly, by taking a long or short position) in any of the foregoing, including through an investment in the CDs. As a global financial institution, we and our affiliates may, and often do, have positions (long, short or both) in one or more of the foregoing that conflict with an investment in the CDs. See “— We or our affiliates may have economic interests that are adverse to those of the holders of the CDs as a result of our hedging and other trading activities” below and “Use of Proceeds and Hedging” in this disclosure statement for some examples of potential conflicting positions we may have. You should undertake an independent determination of whether an investment in the CDs is suitable for you in light of your specific investment objectives, risk tolerance and financial resources.

**We or our affiliates may have economic interests that are adverse to those of the holders of the CDs as a result of our hedging and other trading activities.**

In anticipation of the sale of the CDs, we expect to hedge our obligations under the CDs through certain affiliates or unaffiliated counterparties by taking positions in one or more Reference Stocks or Funds, the securities, commodities, futures contracts or other assets underlying the Indices and the Funds or related currency exchange rates or instruments the value of which is derived from one or more Reference Stocks, Indices or Funds, the

securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or related currency exchange rates. We may also adjust our hedge by, among other things, purchasing or selling any of the foregoing at any time and from time to time and close out or unwind our hedge by selling any of the foregoing on or before any Determination Date. In addition, JPMS and other affiliates of ours also trade the foregoing on a regular basis (taking long or short positions or both) for their accounts, for other accounts under their management and to facilitate transactions, including block transactions, on behalf of customers. While we cannot predict an outcome, any of these hedging or other trading activities could potentially affect the value of the Underlying(s) and may adversely affect the value of the CDs or any payment on the CDs. See “Use of Proceeds and Hedging” below for additional information about our hedging activities.

This hedging and trading activity may present a conflict of interest between your interests as a holder of the CDs and our affiliates’ interests in hedging and other trading activities. These hedging and trading activities could also affect the price at which JPMS is willing to purchase your CDs in the secondary market.

In addition, our hedging counterparties expect to make a profit. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss.

It is possible that these hedging or trading activities could result in substantial returns for us or our affiliates while the value of the CDs declines.

**We or our affiliates may have economic interests that are adverse to those of the holders of the CDs as a result of our business activities.**

We or our affiliates may currently or from time to time engage in business with the issuer of a Reference Stock or companies the securities of which are included in an Index, held by a Fund or included in a relevant Underlying Index (the “**underlying companies**”), including extending loans to, making equity investments in or providing advisory services to the underlying companies, including merger and acquisition advisory services. We do not make any representation or warranty to any purchaser of the CDs with respect to any matters whatsoever relating to our business with the underlying companies.

In addition, in the course of our business, we or our affiliates may acquire nonpublic information about one or more Reference Stocks, Indices or Funds or the securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or currency exchange rates relating to any of the foregoing, and we will not disclose any such information to you.

Furthermore, we or one of our affiliates may serve as issuer, agent or underwriter for issuances of other securities or financial instruments with returns linked or related to changes in the value of a Reference Stock, an Index or a Fund or the securities, commodities, futures contracts or other assets or market measures underlying an Index or Fund. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for these securities or financial instruments, our or their interests with respect to these securities or financial instruments may be adverse to those of the holders of the CDs. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the CDs.

The value of one or more Underlyings may be determined in whole or in part by reference to the value of a benchmark that is established based on quotes, prices, values or other data provided by market participants, including, in some cases, us or our affiliates. We and our affiliates will have no obligation to consider your interests as a holder of the CDs in taking any actions that might affect the value of any Underlying or the CDs.

**We or our affiliates may have economic interests that are adverse to those of the holders of the CDs due to JPMS’s role as CD calculation agent.**

JPMS, one of our affiliates, will act as the CD calculation agent. The CD calculation agent makes all necessary calculations and determinations in connection with the CDs, including with respect to all payments on the CDs and the assumptions used to determine the pricing and estimated value of the CDs. In performing these duties, JPMS may have interests adverse to the interests of the holders of the CDs, which may affect your return on the CDs,

particularly where JPMS, as the CD calculation agent, is entitled to exercise discretion. See “General Terms of the CDs — Postponement of a Determination Date” and “The Underlyings” in this disclosure supplement.

**JPMS and its affiliates may have published research, expressed opinions or provided recommendations that are inconsistent with investing in or holding the CDs, or that may adversely affect the value of the CDs, and may do so in the future.**

JPMS and its affiliates may publish research reports, or express opinions or provide recommendations from time to time that relate to one or more Reference Stocks, Indices or Funds, the securities, commodities, futures contracts or other assets underlying one or more Indices and the Funds or currency exchange rates relating to any of the foregoing. These research reports, opinions or recommendations may be inconsistent with purchasing or holding the CDs and could adversely affect the value of the CDs. Any research, opinions or recommendations expressed by JPMS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the CDs and any Underlying to which the CDs are linked.

### **Risks Relating to the Estimated Value and Secondary Market Prices of the CDs**

**JPMS’s estimated value of the CDs will be lower than the original issue price (price to public) of the CDs.**

JPMS’s estimated value is only an estimate using several factors. Unless otherwise specified in the relevant terms supplement, the original issue price of the CDs will exceed JPMS’s estimated value because costs associated with selling, structuring and hedging the CDs are included in the original issue price of the CDs. These costs include the selling commissions and structuring fees, if any, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs and the estimated cost of hedging our obligations under the CDs. See “Estimated Value and Secondary Market Prices of the CDs — JPMS’s Estimated Value of the CDs” above in this disclosure statement.

**JPMS’s estimated value will not represent future values of the CDs and may differ from others’ estimates.**

JPMS’s estimated value of the CDs will be determined by reference to JPMS’s internal pricing models when the terms of the CDs are set. This estimated value will be based on market conditions and other relevant factors existing at that time and JPMS’s assumptions about market parameters, which can include volatility, correlation, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for CDs that are greater than or less than JPMS’s estimated value. In addition, market conditions and other relevant factors may change after JPMS’s estimated value has been determined, and any assumptions may prove to be incorrect. The value of the CDs could change significantly after JPMS’s estimated value has been determined based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which JPMS would be willing to buy CDs from you in secondary market transactions. See “Estimated Value and Secondary Market Prices of the CDs — JPMS’s Estimated Value of the CDs” above in this disclosure statement.

**JPMS’s estimated value is derived by reference to an internal funding rate.**

The internal funding rate used in the determination of JPMS’s estimated value is based on, among other things, our view of the funding value of the CDs as well as the issuance, operational and ongoing liability management costs of the CDs. Our use of an internal funding 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. See “Estimated Value and Secondary Market Prices of the CDs — JPMS’s Estimated Value of the CDs” above in this disclosure statement.

**The value of the CDs as published by JPMS (and which may be reflected on customer account statements) may be higher than JPMS’s then-current estimated value of the CDs for a limited time period.**

The relevant terms supplement may specify that we will generally expect that some of the costs included in the original issue price of the CDs will be partially paid back to you in connection with any repurchases of your CDs by JPMS in an amount that will decline to zero over an initial predetermined period. These costs can include selling commissions and structuring fees, if any, projected hedging profits, if any, and, in some circumstances, estimated



hedging costs and our internal secondary market funding rates for structured issuances. See “Estimated Value and Secondary Market Prices of the CDs — Secondary Market Prices of the CDs” above in this disclosure statement. Accordingly, the estimated value of your CDs during this initial period may be lower than the value of the CDs as published by JPMS (and which may be shown on your customer account statements).

**Secondary market prices of the CDs will likely be lower than the original issue price of the CDs.**

Any secondary market prices of the CDs will likely be lower than the original issue price of the CDs because, among other things, secondary market prices take into account our internal secondary market funding rates for structured issuances and, also, because secondary market prices (a) exclude selling commissions and structuring fees, if any, and (b) may exclude projected hedging profits, if any, and estimated hedging costs that are included in the original issue price of the CDs. As a result, the price, if any, at which JPMS will be willing to buy CDs from you in secondary market transactions, if at all, is likely to be lower than the original issue price. Any sale by you prior to the maturity date could result in a substantial loss to you. See the immediately following risk factor for information about additional factors that will impact any secondary market prices of the CDs.

In addition, if JPMS purchases your CDs in the secondary market within six days after their initial issuance, you will be subject to early withdrawal penalties we are required to impose pursuant to Regulation D of the Federal Reserve Board. Under these circumstances, the repurchase price will be less than the original issue price of the CDs.

**Secondary market prices of the CDs will be impacted by many economic and market factors.**

The secondary market price of the CDs during their term will be impacted by a number of economic and market factors, which may either offset or magnify each other, aside from the selling commissions and structuring fees, if any, projected hedging profits, if any, estimated hedging costs and the value of the Underlying(s), including:

- any actual or potential change in our creditworthiness or credit spreads;
- customary bid-ask spreads for similarly sized trades;
- our internal secondary market funding rates for structured issuances;
- the actual and expected frequency and magnitude of changes in the value of any Underlying (*i.e.*, volatility);
- prevailing market prices, volatility and liquidity of any option or futures contracts relating to any Underlying;
- the time to maturity of the CDs;
- the dividend rate on a Reference Stock or on the equity securities underlying an Index or a Fund (while not paid to holders of the CDs, dividend payments on a Reference Stock or on any equity securities underlying an Index or a Fund may influence the value of the Underlying(s) and the market value of options on the Underlying(s) and therefore affect the market value of the CDs);
- the occurrence of certain corporate events to the shares of a Reference Stock that may or may not require an adjustment to the applicable Stock Adjustment Factor or, in the case of a Reference Stock that is a non-U.S. equity security or an ADS, the selection of a Successor Foreign Reference Stock or a Successor Reference Stock, as applicable;
- the occurrence of certain events to the shares of a Fund that may or may not require an adjustment to the applicable Share Adjustment Factor;
- supply and demand trends and market prices at any time for the commodities underlying the futures contracts that compose any Commodity Index or Commodity Fund;

- interest and yield rates in the market generally, as well as in the markets of a Reference Stock and the markets of the securities, commodities, futures contracts or other assets or market measures underlying an Index or a Fund;
- economic, financial, political, regulatory and judicial events that affect a Reference Stock, the securities underlying an Index or a Fund or stock markets generally;
- economic, financial, political, regulatory, geographical, agricultural, meteorological or judicial events that affect a Commodity Index or a Commodity Fund or commodity markets generally;
- for CDs linked to two or more Underlyings, changes in correlation (the extent to which the values of the Underlyings increase or decrease to the same degree at the same time) between the Underlyings; and
- the exchange rates and the volatility of the exchange rates between the U.S. dollar and the currencies in which an Underlying Stock (with respect to a Reference Stock that is an ADS) or the equity securities underlying a Non-U.S. Index or a Non-U.S. Fund are traded, and, if a Non-U.S. Index or a Non-U.S. Fund is calculated in one currency and the equity securities underlying that Non-U.S. Index or Non-U.S. Fund are traded in one or more other currencies, the correlation between those rates and the value of that Non-U.S. Index or Non-U.S. Fund.

Additionally, independent pricing vendors and/or third party broker-dealers may publish a price for the CDs, which may also be reflected on customer account statements. This price may be different (higher or lower) than the price of the CDs, if any, at which JPMS may be willing to purchase your CDs in the secondary market.

Some or all of these factors will influence the price you will receive if you choose to sell your CDs prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You may have to sell your CDs at a substantial discount from the principal amount.

### **Risks Relating to Basket CDs**

#### **The Underlyings included in a Basket may not be equally weighted.**

If so specified in the relevant terms supplement, the Underlyings included in a Basket may have different weights in determining the value of the Basket. For example, the relevant terms supplement may specify that the Basket consists of five Underlyings and that the weights of the Underlyings are 25%, 30%, 15%, 20% and 10%. One consequence of an unequal weighting of the Underlyings is that the same percentage change in two of the Underlyings may have different effects on the value of the Basket. For example, if the weight for Underlying A is greater than the weight for Underlying B, a 5% decrease in the value of Underlying A will have a greater effect on the value of the Basket than a 5% decrease in the value of Underlying B.

#### **The weights of the Underlyings included in a Basket may be determined on a date other than the pricing date.**

If so specified in the relevant terms supplement, the weights of the Underlyings included in a Basket may be determined on a date or dates other than the pricing date. For example, the relevant terms supplement may specify that the weights of the Underlyings will be determined based on the relative magnitude of the return of each Underlying as of the final Determination Date. As a result, if the relevant terms supplement so specifies, you will not know the weight assigned to each Underlying until a date later than the pricing date, and you may not know the weight assigned to each Underlying in the Basket prior to the final Determination Date.

#### **Changes in the values of the Underlyings included in a Basket may not be correlated and may offset each other, or changes in value may be correlated in a manner that adversely affects any payment on the CDs.**

Movements in the values of the Underlyings included in a Basket may not be correlated with each other. For CDs that provide long (or bullish) exposure to the Basket, at a time when the value of one or more of the Underlyings increases, the value of the other Underlyings may not increase as much or may even decline. Therefore, in calculating the performance of the Basket, increases in the value of one or more of the Underlyings may be moderated, or more than offset, by lesser increases or declines in the value of the other Underlying or

Underlyings, particularly if the Underlying or Underlyings that appreciate are of relatively low weight in the Basket. In addition, high correlation of movements in the values of the Underlyings during periods of negative returns among the Underlyings could have an adverse effect on any payment on the CDs.

Similarly, for CDs that provide short (or bearish) exposure to the Basket, at a time when the value of one or more of the Underlyings decreases, the value of the other Underlyings may not decrease as much or may even increase. Therefore, in calculating the performance of the Basket, declines in the value of one or more of the Underlyings may be moderated, or more than offset, by lesser declines or increases in the value of the other Underlying or Underlyings, particularly if the Underlying or Underlyings that depreciate are of relatively low weight in the Basket. In addition, high correlation of movements in the values of the Underlyings during periods of positive returns among the Underlyings could have an adverse effect on any payment on the CDs.

### **Risks Relating to Least Performing Underlying CDs and Greatest Performing Underlying CDs**

#### **You are exposed to the risks associated with each Underlying.**

The return on Least Performing Underlying CDs or Greatest Performing Underlying CDs is contingent upon the individual performance of each Underlying and not the performance of a basket of the Underlyings. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is diversified among all the components of the basket, you will be exposed equally to the risks related to any of the Underlyings. The performance of the Underlyings may not be correlated, and the performance of any one of the Underlyings over the term of the CDs may negatively affect payments on the CDs and will not be offset by the performance of any or all of the other Underlyings. Accordingly, your investment is subject to the risks associated with each Underlying.

#### **Any payment on the CDs may be determined by reference to the performance of the Underlying that will result in the worst performance of the CDs.**

Any payment on the CDs may be determined by reference to the performance of the Underlying that will result in the worst performance of the CDs, and you will not benefit from the performance of any other Underlying. For example, for Least Performing Underlying CDs, which provide long (or bullish) exposure, any payment on the CDs may be determined solely by reference to the Underlying with the lowest return. Similarly, for Greatest Performing Underlying CDs, which provide short (or bearish) exposure, any payment on the CDs may be determined solely by reference to the Underlying with the highest return. Accordingly, the performance of a single Underlying can adversely affect the value of the CDs and any payment on the CDs, regardless of the performance of any other Underlying.

### **Risks Relating to Relative Performance CDs**

#### **The return on the CDs is based on the relative performance of the Underlyings.**

You may receive a lower return on the CDs than you could receive by taking directly a long position in the Long Underlying(s) or a short position in the Short Underlying(s). Unlike a long position in the Long Underlying(s) or a short position in the Short Underlying(s), you may not earn a positive return even if each Long Underlying appreciates or each Short Underlying depreciates over the term of the CDs. Unless otherwise specified in the relevant terms supplement, it is possible that you will not earn a positive return when all the Underlyings appreciate or when all the Underlyings depreciate, if, in either case, the return of the Long Underlying(s) is less than the return of the Short Underlying(s). The CDs will be linked to the performance of the Long Underlying(s) as compared to the performance of the Short Underlying(s) and thus are affected by the relative, not absolute, performance of the Underlyings. Unless otherwise specified in the relevant terms supplement, in order to receive a positive return on the CDs, the return of the Long Underlying(s) must be greater than the return of the Short Underlying(s), in each case calculated as set forth in the relevant terms supplement.

#### **Changes in the value of any Long Underlying may be partially offset or entirely negated by changes in the value of any Short Underlying.**

Changes in the value of any Long Underlying may be partially offset or entirely negated by changes in the value of any Short Underlying. If the returns of the Underlyings are strongly correlated, you may not receive a positive

return on the CDs, unless otherwise specified in the relevant terms supplement. Conversely, if the returns of the Underlyings are not correlated, your investment will be exposed to the return of the Long Underlying(s) relative to the return of the Short Underlying(s), in each case calculated as set forth in the relevant terms supplement. Your CDs may not generate a positive return even if the return of the Long Underlying is positive or the return of the Short Underlying is negative.

**You are exposed to the risks associated with each Underlying.**

The return on Relative Performance CDs is contingent upon the individual performance of each Underlying and not the performance of a basket of the Underlyings. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is diversified among all the components of the basket, you will be exposed equally to the risks related to all of the Underlyings. Poor performance by the Long Underlying(s) or strong performance by the Short Underlying(s) over the term of the CDs may negatively affect your return on the CDs. Accordingly, your investment is subject to the risks associated with each Underlying.

**Risks Relating to a Reference Stock**

**We have no affiliation with the issuer of any Reference Stock.**

The issuer of any Reference Stock is not an affiliate of ours and will not be involved in any of our offerings of CDs pursuant to this disclosure statement in any way. As a result, we will have no ability to control the actions of the issuer of any Reference Stock, including actions that could affect the value of any Reference Stock or your CDs. No Reference Stock issuer will have an obligation to consider your interest as a holder of the CDs in taking any corporate actions that might affect the value of your CDs. None of the money you pay for the CDs will go to the issuer of any Reference Stock.

**Your return on the CDs will not reflect dividends or other distributions on a Reference Stock.**

Your return on the CDs will not reflect the return you would realize if you actually owned a Reference Stock and received the dividends or other distributions paid on that Reference Stock (except in the limited circumstances set forth under “The Underlyings — Reference Stocks — Anti-Dilution Adjustments — Cash Dividends or Distributions”). This is because the CD calculation agent will calculate any payment on the CDs, in whole or in part, by reference to the values of that Reference Stock. The values of that Reference Stock will reflect the price of that Reference Stock on the relevant Determination Date(s) without taking into consideration the value of dividends or other distributions paid on that Reference Stock.

**If a Reference Stock is a non-U.S. equity security, any amount payable on the CDs will not be adjusted for changes in exchange rates that might affect that Reference Stock.**

Although the non-U.S. equity security serving as the Reference Stock is traded in a currency other than U.S. dollars and the CDs are denominated in U.S. dollars, amounts payable on the CDs will not be adjusted for changes in the exchange rate between the U.S. dollar and the non-U.S. currency in which a non-U.S. equity security serving as a Reference Stock is denominated. Changes in exchange rates, however, may affect the value of the CDs. In addition, changes in exchange rates reflect changes in various non-U.S. economies that in turn may affect any payment on the CDs.

**We or one of our affiliates may serve as the depositary for the American depositary shares representing the common stock of an issuer.**

We or one of our affiliates may serve as depositary for some foreign companies that issue ADSs. If a Reference Stock is an ADS, and we or one of our affiliates serves as depositary for those ADSs, our or our affiliate’s interests, as depositary for the ADSs, may be adverse to your interests as a holder of the CDs.

**If a Reference Stock is an ADS, the CDs will be subject to currency exchange risk.**

Because the price of an ADS is quoted and traded in U.S. dollars while the Underlying Stock represented by that ADS is quoted and traded in a non-U.S. currency, the holders of the CDs will be exposed to currency exchange

rate risk with respect to the currency in which the Underlying Stock trades. An investor's net exposure will depend on the extent to which that currency strengthens or weakens against the U.S. dollar. If the U.S. dollar changes in value relative to that currency, the value of the relevant ADSs and any payment on the CDs may be adversely affected.

Of particular importance to potential currency exchange risk are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments in the countries issuing those currencies and the United States and between each country and its major trading partners;
- political, civil or military unrest in the countries issuing those currencies and the United States; and
- the extent of governmental surpluses or deficits in the component countries and the United States.

All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries, the United States and other countries important to international trade and finance.

**We have no control over exchange rates.**

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of the currencies used by most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments and, in the case of countries using the euro, the European Central Bank, may use a variety of techniques, such as intervention by a central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. As a consequence, these governmental actions could adversely affect an investment in a CD that is linked, in whole or in part, to the ADSs of one or more foreign issuers, which are quoted and traded in U.S. dollars, each representing an Underlying Stock that is quoted and traded in a foreign currency.

We will not make any adjustment or change in the terms of the CDs in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any relevant foreign currency. You will bear those risks.

**If a Reference Stock is a non-U.S. equity security or an ADS, an investment in the CDs is subject to risks associated with non-U.S. securities markets.**

An investment in the CDs linked, in whole or in part, to the value of a non-U.S. equity security or the value of the ADSs of one or more foreign issuers representing interests in non-U.S. equity securities involves risks associated with the securities markets in those countries where the relevant non-U.S. equity securities are traded, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC, and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

The prices of securities in non-U.S. markets may be affected by political, economic, financial and social factors in those markets, including changes in a country's government, economic and fiscal policies, currency exchange laws or other laws or restrictions. Moreover, the economies of these countries may differ favorably or unfavorably from the economy of the United States in such respects as growth of gross national product, rate of inflation, capital

reinvestment, resources and self-sufficiency. These countries may be subjected to different and, in some cases, more adverse economic environments.

The economies of emerging market countries in particular face several concerns, including relatively unstable governments that may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and which may have less protection of property rights than more developed countries. These economies may also be based on only a few industries, may be highly vulnerable to changes in local and global trade conditions and may suffer from extreme and volatile debt burdens or inflation rates. In addition, local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. The risks of the economies of emerging market countries are relevant for CDs linked, in whole or in part, to the common stock or ADSs of one or more emerging markets issuers.

Some or all of these factors may influence the price of the non-U.S. equity security or ADSs. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You cannot predict the future performance of the non-U.S. equity security or ADSs based on their historical performance. The value of the non-U.S. equity security or ADSs may change in a manner that would adversely affect any payment on the CDs.

**There are important differences between the rights of holders of ADSs and the rights of holders of the common stock of the foreign company.**

If your CD is linked, in whole or in part, to the performance of the ADSs of one or more foreign issuers, you should be aware that your CD is linked, in whole or in part, to the prices of the ADSs and not to the applicable Underlying Stocks, and there exist important differences between the rights of holders of ADSs and those of the Underlying Stocks. Each ADS is a security evidenced by American Depositary Receipts that represents a specified number of shares of common stock of a foreign issuer. Generally, the ADSs are issued under a deposit agreement, which sets forth the rights and responsibilities of the depositary, the foreign issuer and holders of the ADSs, which may be different from the rights of holders of common stock of the foreign issuer. For example, the foreign issuer may make distributions in respect of its common stock that are not passed on to the holders of its ADSs. Any such differences between the rights of holders of the ADSs and holders of the applicable Underlying Stock may be significant and may materially and adversely affect the value of the CDs.

**In some circumstances, the payment you receive on the CDs may be based on the common stock(s) (or ADSs, as applicable) of one or more companies that are not the applicable Reference Stock(s).**

Following certain corporate events relating to a Reference Stock where its issuer is not the surviving entity, a portion of any payment on the CDs may be based on the common stock of a successor to that Reference Stock issuer or any cash or any other assets distributed to holders of that Reference Stock in the relevant corporate event. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the CDs. We describe the specific corporate events that can lead to these adjustments and the procedures for selecting Exchange Property (as described below) in the section of this disclosure statement called “The Underlyings — Reference Stocks — Reorganization Events.”

In addition, following the delisting or discontinuation of trading of a non-U.S. equity security serving as the Reference Stock or the nationalization of the issuer of a non-U.S. equity security serving as the Reference Stock, the CD calculation agent will have the option to replace the Reference Stock with the common stock of a company organized in, or with its principal executive office located in the country in which the issuer of the Reference Stock is organized, or has its principal executive office, selected from among the common stocks of three companies with the three largest market capitalizations within the same industry as the issuer of the Reference Stock that also have an equity security that is listed and traded on a national securities exchange in the United States. Upon the occurrence of any such event, you will become subject to the closing price risk of the Successor Foreign Reference Stock. We describe the procedures for selecting another Reference Stock and Reference Stock issuer in the section of this disclosure statement entitled “The Underlyings — Reference Stocks — Delisting of a Reference Stock or Nationalization of a Reference Stock Issuer.” You should read the section of this disclosure statement called “The Underlyings — Reference Stocks — Delisting of a Reference Stock or Nationalization of a Reference Stock Issuer”

for more information. Replacing the original non-U.S. equity security serving as the Reference Stock with another equity security may materially and adversely affect the value of the CDs.

Furthermore, for CDs linked to the performance of one or more ADSs, if that ADS is no longer listed or admitted to trading on a U.S. securities exchange registered under the Exchange Act, or included in the OTC Bulletin Board, or if the ADS facility between the issuer of the applicable Underlying Stock and the ADS depository is terminated for any reason, the CD calculation agent will have the option to either (a) (i) replace that ADS with the ADS of a company selected from among the ADSs of three companies organized in, or with their principal executive offices located in, the country in which the issuer of that original ADS is organized, or has its principal executive office, and that are then registered to trade on the New York Stock Exchange (the “NYSE”) or The NASDAQ Stock Market with the same primary Standard Industrial Classification Code (“SIC Code”) as that original ADS that, in the sole discretion of the CD calculation agent, are the most comparable to that original ADS, taking into account such factors as the CD calculation agent deems relevant, including, without limitation, market capitalization, dividend history and stock price volatility or (ii) in certain circumstances, replace that ADS with the ADS of a company that is organized in, or with its principal executive office located in, the country in which the issuer of the original ADS is organized, or has its principal executive office and that is then registered to trade on the NYSE or The NASDAQ Stock Market that, in the sole discretion of the CD calculation agent, is the most comparable to the original ADS, taking into account such factors as the CD calculation agent deems relevant, including, without limitation, market capitalization, dividend history and stock price volatility and that is within the same Division and Major Group classification (as defined by the Office of Management and Budget) as the primary SIC Code for the original ADS or (iii) in certain circumstances, replace that ADS with the common stock of a company that is then registered to trade on the NYSE or The NASDAQ Stock Market with the same primary SIC Code as the original ADS that, in the sole discretion of the CD calculation agent, is the most comparable to the original ADS, taking into account such factors as the CD calculation agent deems relevant including, without limitation, market capitalization, dividend history and stock price volatility or (b) deem the applicable Underlying Stock to be that Reference Stock. You should read the section of this disclosure statement called “The Underlyings — Reference Stocks — Delisting of ADSs or Termination of ADS Facility” for more information. Replacing the original ADS serving as a Reference Stock with another ADS may materially and adversely affect the value of the CDs.

**Anti-dilution protection is limited and may be discretionary.**

The CD calculation agent will make adjustments to the Stock Adjustment Factor for each Reference Stock, which will be set initially at 1.0, for certain adjustment events (as defined below) affecting that Reference Stock, including stock splits and certain corporate actions, such as mergers. The CD calculation agent is not required, however, to make such adjustments in response to all corporate actions, including if the issuer of a Reference Stock or another party makes a partial tender or partial exchange offer for a Reference Stock. If such a dilution event occurs and the CD calculation agent is not required to make an adjustment, the value of the CDs may be materially and adversely affected. You should also be aware that the CD calculation agent may make adjustments in response to events that are not described in this disclosure statement to account for any dilutive or concentrative effect, but the CD calculation agent is under no obligation to do so. With respect to the issuance of transferrable rights or warrants, the CD calculation agent may also make adjustments in a manner that differs from what is described in this disclosure statement in good faith to ensure an equitable result. Subject to the foregoing, the CD calculation agent is under no obligation to consider your interests as a holder of the CDs in making these determinations. See “The Underlyings — Reference Stocks — Anti-Dilution Adjustments” for further information.

**We may exercise any and all rights we may have as a lender to, or a security holder of, the issuer of a Reference Stock.**

If we or any of our affiliates are lenders to, or hold securities of, the issuer of a Reference Stock, we will have the right, but not the obligation, to exercise or refrain from exercising our rights as a lender to, or holder of securities of, that issuer. Any exercise of our rights as a lender or holder of securities of the issuer of a Reference Stock, or our refraining from such exercise, will be made without regard to your interests and could affect the value of the CDs.

**We cannot assure you that publicly available information provided about the issuer of a Reference Stock is accurate or complete.**

All disclosures contained in the relevant terms supplement regarding the issuer of any Reference Stock will be derived from publicly available documents and other publicly available information, without independent verification. We have not participated, and will not participate, in the preparation of those documents, and we have not made, and will not make, any due diligence inquiry with respect to the issuer of any Reference Stock in connection with the offering of the CDs. We do not make any representation that those publicly available documents or any other publicly available information regarding the issuer of any Reference Stock is accurate or complete, and we are not responsible for public disclosure of information by the issuer of any Reference Stock, whether contained in filings with the SEC or otherwise. We also cannot give any assurance that all events occurring prior to the date of the relevant terms supplement (including events that would affect the accuracy or completeness of the publicly available documents of the issuer of any Reference Stock) that would affect the value of any Reference Stock will have been publicly disclosed. Subsequent disclosure of any of these events or the disclosure of, or failure to disclose, material future events concerning the issuer of any Reference Stock could affect the market value of the CDs or any payment on the CDs. Any prospective purchaser of the CDs should undertake an independent investigation of the issuer of any Reference Stock as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.

### **Risks Relating to an Index**

**The sponsor of an Index (an “Index Sponsor”) may adjust that Index in a way that affects its level, and the Index Sponsor has no obligation to consider your interests.**

The applicable Index Sponsor is responsible for maintaining an Index. The Index Sponsor can add, delete or substitute the securities, commodities, futures contracts or other assets or market measures underlying the applicable Index or make other methodological changes that could change the level of that Index. You should realize that the changing of securities, commodities, futures contracts or other assets or market measures included in an Index may affect that Index, as a newly added security, commodity, futures contract or other asset or market measure may perform significantly better or worse than the asset or assets it replaces. Additionally, the Index Sponsor may alter, discontinue or suspend calculation or dissemination of the applicable Index. Any of these actions could adversely affect the value of the CDs. The Index Sponsor of an Index has no obligation to consider your interests in calculating or revising that Index. See the relevant index description section in any accompanying underlying supplement or the relevant terms supplement for additional information.

**The reported level of an Index may include the deduction of index fees or other adjustments.**

Any accompanying underlying supplement or the relevant terms supplement may specify that the reported levels of an Index may include a deduction from the aggregate performance of the relevant securities, commodities, futures contracts or other assets or market measures underlying that Index of index fees or other adjustments. Under these circumstances, as a result of these deductions, the value of that Index will trail the value of a hypothetical identically constituted synthetic portfolio that is not subject to those index fees or other adjustments.

**For CDs linked to an Index, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, to our knowledge, our securities are not currently included in an Index.**

As a general matter, none of the issuers the securities of which are included in an Index will be involved in the offering of the CDs in any way. As a result, we will have no ability to control the actions of the issuers of those securities, including actions that could affect the value of the securities underlying an Index or your CDs. None of those issuers will have any obligation to consider your interests as a holder of the CDs in taking any corporate actions that might affect the value of your CDs. Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, none of the money you pay for the CDs will go to any of the issuers of the securities included in any Index. See any accompanying underlying supplement or the relevant terms supplement for additional information about whether we are one of the companies included in an Index.



In the event that our securities are included in an Index, we will have no obligation to consider your interests as a holder of the CDs in taking any action with respect to that issuer that might affect the value of your CDs.

**For CDs that provide long (or bullish) exposure to an Index that is not a total return index, your return on the CDs will not reflect dividends, interest payments or other distributions on the securities underlying that Index.**

For CDs that provide long (or bullish) exposure to an Index that is not a total return index, your return on the CDs will not reflect the return you would realize if you actually owned the securities underlying that Index and received the dividends, interest payments or other distributions paid on those securities. This is because the CD calculation agent will calculate any payment on the CDs, in whole or in part, by reference to the values of that Index. The values of that Index will reflect the prices of the securities underlying that Index on the relevant Determination Date(s) without taking into consideration the value of dividends, interest payments or other distributions paid on those securities.

**For CDs that provide short (or bearish) exposure to an Index that is a total return index, your return on the CDs will be adversely affected by dividends, interest payments or other distributions on the securities underlying that Index.**

The level of a total return index reflects the prices of the securities included in that index, as well as the value of dividends, interest payments or other distributions on the securities underlying that Index on those securities. Accordingly, if the CDs are linked to a total return index, any dividends, interest payments or other distributions on the securities underlying that Index will have a positive effect on the level of that index, which will adversely affect the value of the short (or bearish) CDs.

**For CDs linked in whole or in part to a Non-U.S. Index, the CDs will be subject to risks associated with Non-U.S. Indices.**

For CDs linked in whole or in part to a Non-U.S. Index, the CDs will be subject to risks associated with Non-U.S. Indices. See “— Risks Relating to a Non-U.S. Index or a Non-U.S. Fund” below.

**For CDs linked in whole or in part to a Bond Index, the CDs will be subject to risks associated with Bond Indices.**

For CDs linked in whole or in part to a Bond Index, the CDs will be subject to risks associated with Bond Indices. See “— Risks Relating to a Bond Index or a Bond Fund” below.

**For CDs linked in whole or in part to a Commodity Index, the CDs will be subject to risks associated with Commodity Indices.**

For CDs linked in whole or in part to a Commodity Index, the CDs will be subject to risks associated with Commodity Indices. See “— Risks Relating to a Commodity Index or a Commodity Fund” below.

#### **Risks Relating to a Fund**

**The policies of the investment adviser or commodity pool operator, as applicable, for a Fund, and the sponsor of its Underlying Index, if applicable, could affect the value of, and any amount payable on, the CDs.**

The policies of the investment adviser or commodity pool operator, as applicable, for a Fund concerning the calculation of the Fund’s net asset value; additions, deletions or substitutions of securities, commodities, futures contracts or other assets or market measures underlying that Fund; substitutions of its Underlying Index, if applicable; and the manner in which changes affecting an Underlying Index, if applicable, are reflected in that Fund, could affect the market price of the shares of that Fund and, therefore, affect any payment on the CDs, and the value of the CDs before maturity. Any amount payable on the CDs and their value could also be affected if the investment adviser or commodity pool operator, as applicable, changes these policies, for example, by changing the manner in which it calculates the Fund’s net asset value, or if the investment adviser or commodity pool operator, as

applicable, discontinues or suspends calculation or publication of the Fund's net asset value, in which case it may become difficult to determine the value of the CDs.

In addition, the sponsor of an Underlying Index, if applicable, is responsible for the design and maintenance of the Underlying Index. The policies of the sponsor concerning the calculation of the Underlying Index, including decisions regarding the addition, deletion or substitution of the securities, commodities, futures contracts or other assets or market measures included in the Underlying Index, if applicable, could affect the value of the Underlying Index and, consequently, the market prices of the shares of the Fund and, therefore, any payment on the CDs and the value of the CDs.

**There are risks associated with a Fund.**

A Fund may have a limited operating history. Although the shares of a Fund may be listed for trading on a securities exchange and a number of similar products have been traded on securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of any Fund or that there will be liquidity in the trading market.

In addition, a Fund is subject to management risk, which is the risk that the applicable investment adviser's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. These constraints could affect the market prices of the shares of a Fund and, consequently, could adversely affect the value of the CDs. See any applicable Fund description in the relevant terms supplement or any accompanying underlying supplement for additional information.

**The anti-dilution protection is limited.**

The CD calculation agent will make adjustments to the Share Adjustment Factor for a Fund, which will be set initially at 1.0 in each case, for certain events affecting the shares of that Fund. See "The Underlyings — Funds — Anti-Dilution Adjustments." The CD calculation agent is not required, however, to make those adjustments in response to all events that could affect the shares of a Fund. If an event occurs that does not require the CD calculation agent to make an adjustment, the value of the CDs may be materially and adversely affected.

**For CDs linked in whole or in part to a Fund that is designed to track an Underlying Index, the performance of the Fund may not correlate with the performance of its Underlying Index.**

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, a Fund that is designed to track an Underlying Index uses a representative sampling strategy or a replication or indexing strategy to attempt to track the performance of its Underlying Index. Pursuant to a representative sampling strategy, a Fund invests in a representative sample of securities that collectively has an investment profile similar to its Underlying Index; however, a Fund may not hold all or substantially all of the securities, commodities, futures contracts or other assets or market measures included in its Underlying Index. Even if a Fund uses a replication or indexing strategy, the Fund may not hold all of the securities, commodities, futures contracts or other assets or market measures included in its Underlying Index. Therefore, while the performance of a Fund is linked principally to the performance of its Underlying Index, its performance is also generally linked in part to assets other than the securities, commodities, futures contracts or other assets or market measures included in its Underlying Index because, unless otherwise specified in the relevant terms supplement, its investment adviser generally may invest a portion of a Fund's assets in securities not included in the Underlying Index and in other assets, including potentially shares of money market funds affiliated with or advised by its investment adviser.

In addition, the performance of a Fund will reflect additional transaction costs and fees that are not included in the calculation of its Underlying Index. Also, the component securities, commodities, futures contracts or other assets or market measures of a Fund may be unavailable in the secondary market due to other extraordinary circumstances. Corporate actions with respect to any of the securities (such as mergers and spin-offs) also may impact the variance between a Fund and its Underlying Index. Finally, because the shares of a Fund may be traded on a securities exchange and may be subject to market supply and investor demand, the market value of one share of a Fund may differ from the net asset value per share of the Fund.

For all of the foregoing reasons, the performance of a Fund that is designed to track an Underlying Index may not correlate with the performance of its Underlying Index. Consequently, the return on the CDs will not be the same as investing (or taking a short position) directly in any Fund or any relevant Underlying Index or in the securities, commodities, futures contracts or other assets or market measures held by any Fund or included in any relevant Underlying Index, and will not be the same as investing in a debt security linked to the performance of any relevant Underlying Index.

**Funds that are actively managed are subject to risks that are different from those of passively managed funds.**

Unlike a passively managed Fund, an actively managed Fund may not attempt to track an index or other benchmark, and the investment decisions for an actively managed Fund are instead made by its portfolio manager. The portfolio manager of an actively managed Fund may change during the term of your CDs, and any replacement portfolio manager may not achieve the same results as prior portfolio managers. The portfolio manager of an actively managed Fund may adopt a strategy or strategies that are significantly higher risk than the indexing strategy employed by a passively managed Fund.

**Your return on the CDs will not reflect dividends or other distributions on a Fund.**

Your return on the CDs will not reflect the return you would realize if you actually owned a Fund and received the dividends or other distributions paid on that Fund (except in the limited circumstances set forth under “The Underlyings — Funds — Anti-Dilution Adjustments — Cash Dividends or Distributions”). This is because the CD calculation agent will calculate any payment on the CDs, in whole or in part, by reference to the values of that Fund. The values of that Fund will reflect the price of that Fund on the relevant Determination Date(s) without taking into consideration the value of dividends or other distributions paid on that Fund.

**We cannot assure you that publicly available information provided about any Fund is accurate or complete.**

All disclosures contained in the relevant terms supplement regarding any Fund will be derived from publicly available documents and other publicly available information, without independent verification. We have not participated, and will not participate, in the preparation of those documents, and we have not made, and will not make, any due diligence inquiry with respect to any Fund in connection with the offering of the CDs. We do not make any representation that those publicly available documents or any other publicly available information regarding any Fund is accurate or complete, and we are not responsible for public disclosure of information by any Fund, whether contained in filings with the SEC or otherwise. We also cannot give any assurance that all events occurring prior to the date of the relevant terms supplement (including events that would affect the accuracy or completeness of the publicly available documents of any Fund) that would affect the value of any Fund will have been publicly disclosed. Subsequent disclosure of any of these events or the disclosure of, or failure to disclose, material future events concerning any Fund could affect the market value of the CDs or any payment on the CDs. Any prospective purchaser of the CDs should undertake an independent investigation of any Fund as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.

**For CDs linked in whole or in part to a Non-U.S. Fund, the CDs will be subject to risks associated with Non-U.S. Funds.**

For CDs linked in whole or in part to a Non-U.S. Fund, the CDs will be subject to risks associated with Non-U.S. Funds. See “— Risks Relating to a Non-U.S. Index or a Non-U.S. Fund” below.

**For CDs linked in whole or in part to a Bond Fund, the CDs will be subject to risks associated with Bond Funds.**

For CDs linked in whole or in part to a Bond Fund, the CDs will be subject to risks associated with Bond Funds. See “— Risks Relating to a Bond Index or a Bond Fund” below.

**For CDs linked in whole or in part to a Commodity Fund, the CDs will be subject to risks associated with Commodity Funds.**

For CDs linked in whole or in part to a Commodity Fund, the CDs will be subject to risks associated with Commodity Funds. See “— Risks Relating to a Commodity Index or a Commodity Fund” below.

**Risks Relating to a Non-U.S. Index or a Non-U.S. Fund**

**For CDs linked in whole or in part to a Non-U.S. Index or a Non-U.S. Fund, if the prices of its component non-U.S. securities are not converted into U.S. dollars for purposes of calculating the value of that Non-U.S. Index or Non-U.S. Fund, any amount payable on the CDs will not be adjusted for changes in exchange rates that might affect that Non-U.S. Index or Non-U.S. Fund.**

Because the prices of the non-U.S. securities underlying the applicable Non-U.S. Index or Non-U.S. Fund are not converted into U.S. dollars for purposes of calculating the value of that Non-U.S. Index or Non-U.S. Fund and although the non-U.S. securities underlying that Non-U.S. Index or Non-U.S. Fund are traded in currencies other than U.S. dollars, and the CDs, which are linked in whole or in part to that Non-U.S. Index or Non-U.S. Fund, are denominated in U.S. dollars, amounts payable on the CDs, will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies in which the non-U.S. securities underlying that Non-U.S. Index or Non-U.S. Fund are denominated. Changes in exchange rates, however, may affect the value of the CDs. In addition, changes in exchange rates reflect changes in various non-U.S. economies that in turn may affect any payment on the CDs.

**For CDs linked in whole or in part to a Non-U.S. Index or a Non-U.S. Fund, if the prices of its component non-U.S. securities are converted into U.S. dollars for purposes of calculating the value of that Non-U.S. Index or Non-U.S. Fund, the CDs will be subject to currency exchange risk.**

Because the prices of the non-U.S. securities underlying the applicable Non-U.S. Index or Non-U.S. Fund are converted into U.S. dollars for the purposes of calculating the value of that Non-U.S. Index or Non-U.S. Fund, the holders of the CDs will be exposed to currency exchange rate risk with respect to each of the currencies in which the non-U.S. securities underlying that Non-U.S. Index or Non-U.S. Fund trade. An investor’s net exposure will depend on the extent to which those currencies strengthen or weaken against the U.S. dollar and the relative weight of the non-U.S. securities underlying that Non-U.S. Index or Non-U.S. Fund denominated in each applicable currency. If, taking into account the weighting, the U.S. dollar changes in value relative to those currencies, the value of that Non-U.S. Index or Non-U.S. Fund and any payment on the CDs may be adversely affected.

Of particular importance to potential currency exchange risk are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments in the countries issuing those currencies and in the United States and between each country and its major trading partners;
- political, civil or military unrest in the countries issuing those currencies and in the United States; and
- the extent of governmental surpluses or deficits in the component countries and the United States.

All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries, the United States and other countries important to international trade and finance.

**For CDs linked in whole or in part to a Non-U.S. Index or a Non-U.S. Fund, if the prices of its component non-U.S. securities are converted into U.S. dollars for purposes of calculating the value of that Non-U.S. Index or Non-U.S. Fund, changes in the volatility of exchange rates and the correlation between those rates and the values of that Non-U.S. Index or Non-U.S. Fund are likely to affect the market value of the CDs.**

The exchange rate between the U.S. dollar and each of the currencies in which the non-U.S. securities underlying the applicable Non-U.S. Index or Non-U.S. Fund are denominated refers to a foreign exchange spot rate that measures the relative values of two currencies — the particular currency in which a security composing that Non-U.S. Index or Non-U.S. Fund is denominated and the U.S. dollar. This exchange rate reflects the amount of the particular currency in which a security composing a Non-U.S. Index or Non-U.S. Fund is denominated that can be purchased for one U.S. dollar and thus increases when the U.S. dollar appreciates relative to the particular currency in which that security is denominated. The volatility of the exchange rate between the U.S. dollar and each of the currencies in which the non-U.S. securities underlying a Non-U.S. Index or Non-U.S. Fund are denominated refers to the size and frequency of changes in that exchange rate.

Because the applicable Non-U.S. Index or Non-U.S. Fund is calculated, in part, by converting the closing prices of the non-U.S. securities underlying that Non-U.S. Index or Non-U.S. Fund into U.S. dollars, the volatility of the exchange rate between the U.S. dollar and each of the currencies in which those non-U.S. securities are denominated could affect the market value of the CDs.

The correlation of the exchange rate between the U.S. dollar and each of the currencies in which the non-U.S. securities underlying a Non-U.S. Index or Non-U.S. Fund are denominated and the value of that Non-U.S. Index or Non-U.S. Fund refers to the relationship between the percentage changes in that exchange rate and the percentage changes in the value of that Non-U.S. Index or Non-U.S. Fund. The direction of the correlation (whether positive or negative) and the extent of the correlation between the percentage changes in the exchange rate between the U.S. dollar and each of the currencies in which the non-U.S. securities underlying a Non-U.S. Index or Non-U.S. Fund are denominated and the percentage changes in the value of that Non-U.S. Index or Non-U.S. Fund could affect the value of the CDs.

**We have no control over exchange rates.**

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of the currencies used by most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments and, in the case of countries using the euro, the European Central Bank, may use a variety of techniques, such as intervention by a central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. As a consequence, these governmental actions could adversely affect an investment in a CD that is linked, in whole or in part, to a Non-U.S. Index or Non-U.S. Fund.

We will not make any adjustment or change in the terms of the CDs in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any relevant foreign currency. You will bear those risks.

**For CDs linked in whole or in part to a Non-U.S. Index or a Non-U.S. Fund, an investment in the CDs is subject to risks associated with non-U.S. securities markets.**

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the securities that compose a Non-U.S. Index or Non-U.S. Fund have been issued by non-U.S. companies. Investments in securities linked to the value of securities of non-U.S. issuers involve risks associated with the securities markets in those countries where the relevant non-U.S. securities are traded, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is

generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC, and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

The prices of securities in non-U.S. markets may be affected by political, economic, financial and social factors in those markets, including changes in a country's government, economic and fiscal policies, currency exchange laws or other laws or restrictions. Moreover, the economies of these countries may differ favorably or unfavorably from the economy of the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. These countries may be subjected to different and, in some cases, more adverse economic environments.

The economies of emerging market countries in particular face several concerns, including relatively unstable governments that may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and which may have less protection of property rights than more developed countries. These economies may also be based on only a few industries, be highly vulnerable to changes in local and global trade conditions and may suffer from extreme and volatile debt burdens or inflation rates. In addition, local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. The risks of the economies of emerging market countries are relevant for CDs linked to a Non-U.S. Index or Non-U.S. Fund composed of securities traded in one or more emerging market countries.

Some or all of these factors may influence the closing level of a Non-U.S. Index or the closing price of one share of a Non-U.S. Fund. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You cannot predict the future performance of an Index or a Fund based on its historical performance. The level of a Non-U.S. Index or the price of a Non-U.S. Fund may change in a manner that would adversely affect any payment on the CDs.

### **Risks Relating to a Bond Index or a Bond Fund**

#### **CDs linked in whole or in part to a Bond Index or Bond Fund are subject to significant risks associated with fixed-income securities, including interest rate-related risks.**

Investing in CDs linked in whole or in part to a Bond Index or Bond Fund differs significantly from investing directly in bonds to be held to maturity, as the values of that Bond Index or Bond Fund change, at times significantly, during each trading day based upon the current market prices of their underlying bonds. The market prices of these bonds are volatile and significantly influenced by a number of factors, particularly the yields on these bonds as compared to current market interest rates and the actual or perceived credit quality of the issuer of these bonds.

In general, fixed-income securities are significantly affected by changes in current market interest rates. As interest rates rise, the price of fixed-income securities is likely to decrease, and as interest rates fall, the price of fixed-income securities is likely to increase. Securities with longer durations tend to be more sensitive to interest rate changes, usually making them more volatile than securities with shorter durations. As a result, rising interest rates may cause the value of the long-dated bonds underlying a Bond Index or Bond Fund to which the CDs provide long (or bullish) exposure to decline, possibly significantly, which would adversely affect the value of the CDs. In addition, falling interest rates may cause the value of the long-dated bonds underlying a Bond Index or Bond Fund to which the CDs provide short (or bearish) exposure to increase, possibly significantly, which would adversely affect the value of the CDs.

Interest rates are subject to volatility due to a variety of factors, including:

- sentiment regarding underlying strength or weakness in the local economies of the issuers of the securities underlying a Bond Index or Bond Fund and global economies;
- expectations regarding the level of price inflation;

- sentiment regarding credit quality in the markets of the issuers of the securities underlying a Bond Index or Bond Fund and global credit markets;
- central bank policies regarding interest rates; and
- the performance of capital markets that include the issuers of the securities underlying a Bond Index or Bond Fund and foreign capital markets.

Prices of U.S. treasury notes have recently fallen after trading near historic high prices for an extended period of time. If the price of the U.S. treasury notes reverts to its historic mean or otherwise continues to fall as a result of a general increase in interest rates, Federal Reserve policies or actions, or perceptions of reduced credit quality of the U.S. government or otherwise, the value of the bonds underlying a Bond Index or Bond Fund that includes U.S. treasury notes will decline, which could have a negative impact on the performance of CDs that provide long (or bullish) exposure to that Bond Index or Bond Fund.

In addition, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds because of their inflation adjustment feature. For a Bond Index or Bond Fund that tracks inflation-protected bonds, if inflation is low, the benefit received from the inflation-protected feature of the underlying bonds may not sufficiently compensate you for their reduced yield.

**CDs that provide long (or bullish) exposure to a Bond Index or Bond Fund are subject to significant risks associated with fixed-income securities, including credit risk.**

The prices of the bonds underlying a Bond Index or Bond Fund are significantly influenced by the creditworthiness of the issuers of those bonds. The bonds underlying a Bond Index or Bond Fund may have their credit ratings downgraded, including in the case of the investment-grade bonds, a downgrade from investment grade to non-investment grade status, or have their credit spreads widen significantly. Following a ratings downgrade or the widening of credit spreads, some or all of the bonds underlying a Bond Index or Bond Fund may suffer significant and rapid price declines. These events may affect only a few or a large number of the bonds underlying a Bond Index or Bond Fund. For example, during the most recent credit crisis in the United States, credit spreads widened significantly as the market demanded very high yields on corporate bonds, and as a result, the prices of the bonds in the U.S. dropped significantly. There can be no assurance that some or all of the factors that contributed to that credit crisis will not depress the price, perhaps significantly, of the bonds underlying a Bond Index or Bond Fund to which the CDs provide long (or bullish) exposure, which would adversely affect the value of the CDs.

Further, a Bond Index or Bond Fund that provides exposure to the high yield corporate market is subject to high-yield securities risk. Securities that are rated below investment grade (commonly known as “junk bonds,” including those bonds rated at BB+ or lower by S&P or Fitch or Ba1 or lower by Moody’s) may be more volatile than higher-rated securities of similar maturity. High-yield securities may also be subject to greater levels of credit or default risk than higher-rated securities. The value of high-yield securities can be adversely affected by overall economic conditions, such as an economic downturn or a period of rising interest rates, and high-yield securities may be less liquid and more difficult to sell at an advantageous time or price or to value than higher-rated securities. In particular, high-yield securities are often issued by smaller, less creditworthy companies or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms to make scheduled payments of interest and principal.

**CDs that provide short (or bearish) exposure to a Bond Index or Bond Fund are subject to risks associated with improvements in the credit quality of fixed-income securities.**

The prices of the bonds underlying a Bond Index or Bond Fund are significantly influenced by the creditworthiness of the issuers of those bonds. The bonds underlying a Bond Index or Bond Fund may have their credit ratings upgraded, including in the case of the non-investment-grade bonds, an upgrade from non-investment grade to investment grade status, or have their credit spreads tighten significantly. Following a ratings upgrade or the tightening of credit spreads, some or all of the bonds underlying a Bond Index or Bond Fund may increase in price, which would adversely affect the value of CDs that provide short (or bearish) exposure to that Bond Index or Bond Fund.

**The value of a Bond Index or Bond Fund may be influenced by unpredictable changes in the local governments and economies of the local governments of the issuers of the bonds underlying that Bond Index or Bond Fund.**

The value of a Bond Index or Bond Fund may be influenced by unpredictable changes, or expectations of changes, in the local markets for the bonds underlying that Bond Index or Bond Fund. Changes in the local governments of the issuers of the bonds underlying a Bond Index or Bond Fund that may influence the value of the CDs include:

- economic performance, including any financial or economic crises and changes in the gross domestic product, the principal sectors, inflation, employment and labor, and prevailing prices and wages;
- the monetary system, including the monetary policy, the exchange rate policy, the economic and tax policies, banking regulation, credit allocation and exchange controls;
- the external sector, including the amount and types of foreign trade, the geographic distribution of trade, the balance of payments, and reserves and exchange rates;
- public finance, including the budget process, any entry into or termination of any economic or monetary agreement or union, the prevailing accounting methodology, the measures of fiscal balance, revenues and expenditures, and any government enterprise or privatization program; and
- public debt, including external debt, debt service and the debt record.

These factors interrelate in complex ways, and the effect of one factor on the market value of the bonds underlying a Bond Index or Bond Fund may offset or enhance the effect of another factor. Changes in the value of a Bond Index or Bond Fund may adversely affect any payment on the CDs.

**Risks Relating to a Commodity Index or a Commodity Fund**

**The commodity futures contracts underlying a Commodity Index or a Commodity Fund are subject to legal and regulatory regimes that may change in ways that could have a substantial adverse effect on the value of the CDs and, for CDs linked to a Commodity Index, could affect the timing and amount of any payment on the CDs.**

Futures contracts and options on futures contracts markets, including the futures contracts underlying a Commodity Index or a Commodity Fund, are subject to extensive regulation and margin requirements. The CFTC and the exchanges on which those futures contracts trade are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Furthermore, certain exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur. These limits could adversely affect the market prices of relevant futures contracts and forward contracts. The regulation of commodity transactions in the United States is subject to ongoing modification by governmental and judicial action. In addition, various non-U.S. governments have expressed concern regarding the disruptive effects of speculative trading in the commodity markets and the need to regulate the derivative markets in general. The effect on the value of the CDs of any future regulatory change is impossible to predict but could be substantial and adverse to the interests of holders of the CDs.

Notably, with respect to agricultural and exempt commodities as defined in the Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) (generally, physical commodities such as agricultural commodities, energy commodities and metals), the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted on July 21, 2010, amended the Commodity Exchange Act to provide the CFTC with additional authority to establish limits on the number of positions, other than bona fide hedge positions, that may be held by any person in a commodity through futures contracts, options on futures contracts and other related derivatives, such as swaps, that are economically equivalent to those contracts. In addition, designated contract markets and swap execution facilities, as defined in the Commodity Exchange Act, are authorized to establish and enforce position



limits or position accountability requirements on their own markets or facilities, which must be at least as stringent as the CFTC's where CFTC limits also apply.

On November 5, 2013, the CFTC proposed rules to establish position limits that will apply to 28 agricultural, metals and energy futures contracts and futures, options and swaps that are economically equivalent to those futures contracts. The limits would apply to a number of commodity futures contracts that may be included in a Commodity Index or held by a Commodity Fund, such as CBOT Soybeans, Soybean Meal and Wheat futures; ICE Futures US Cotton No. 2, Sugar No. 11 and Sugar No. 16 futures; NYMEX Light Sweet Crude Oil, NY Harbor No. 2 Heating Oil, NY Harbor Gasoline Blendstock and Henry Hub Natural Gas futures; and COMEX Gold, Silver and Copper futures and NYMEX Palladium and Platinum futures. The limits will apply to a person's combined position in futures, options and swaps on the same underlying commodity. The rules also would set new aggregation standards for purposes of these position limits and would specify the requirements for designated contract markets and swap execution facilities to impose position limits on contracts traded on those markets. The rules, if enacted in their proposed form, may reduce liquidity in the exchange-traded market for those commodity-based futures contracts, which may, in turn, have an adverse effect on any payments on the CDs.

For CDs linked in whole or in part to a Commodity Index, upon the occurrence of legal or regulatory changes that the CD calculation agent determines have interfered with our or our affiliates' ability to hedge our obligations under the CDs, including the CFTC's adoption of the position limit rules mentioned above, or if for any other reason we or our affiliates are unable to enter into or maintain hedge positions the CD calculation agent deems necessary to hedge our obligations under the CDs, we may adjust the timing and amount of any payment on the CDs. See “— Risks Relating to the CDs Generally — For CDs linked in whole or in part to a Commodity Index, if a commodity hedging disruption event occurs, the timing and amount of any payment on the CDs could be affected” above.

**Prices for the commodities or commodity futures contracts referenced by a Commodity Index or Commodity Fund may change unpredictably and affect the value of the CDs in unanticipated ways.**

Market prices of commodities tend to be highly volatile and may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships, governmental programs and policies, national and international monetary, trade, political and economic events, wars and acts of terror, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, weather, and agricultural, trade, fiscal and exchange control policies. The price volatility of each commodity also affects the value of the futures and forward contracts related to that commodity and therefore its price at any such time. The price of any one commodity may be correlated to a greater or lesser degree with any other commodity and factors affecting the general supply and demand as well as the prices of other commodities may affect the particular commodity in question. The commodities markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. Many commodities are also highly cyclical. These factors, some of which are specific to the nature of each such commodity, may affect the value of a Commodity Index or Commodity Fund in varying ways, and different factors may cause the values of different commodities or commodity futures contracts referenced by a Commodity Index or Commodity Fund to move in inconsistent directions at inconsistent rates. This, in turn, will affect the value of the CDs. It is not possible to predict the aggregate effect of all or any combination of these factors.

Each Commodity Index or Commodity Fund provides one avenue for exposure to commodities. The high volatility and cyclical nature of commodity markets may render these investments inappropriate as the focus of an investment portfolio. See “— The prices of commodities are volatile and are affected by numerous factors, certain of which are specific to the commodity sector for each commodity” for additional information about factors affecting the value of specific commodity sectors.

**An investment in the CDs may not offer direct exposure to physical commodities.**

If the CDs are linked to a Commodity Index or a Commodity Fund composed of futures contracts on a commodity, the CDs will reflect, in whole or in part, the return on those commodity futures contracts, not the return on the physical commodities underlying those commodity futures contracts. The price of a futures contract reflects the expected value of the commodity upon delivery in the future, whereas the spot price of a commodity reflects the

immediate delivery value of the commodity. A variety of factors can lead to a disparity between the expected future price of a commodity and the spot price at a given point in time, such as the cost of storing the commodity for the term of the futures contract, interest charges incurred to finance the purchase of the commodity and expectations concerning supply and demand for the commodity. The price movements of a futures contract are typically correlated with the movements of the spot price of the reference commodity, but the correlation is generally imperfect, and price movements in the spot market may not be reflected in the futures market (and vice versa). Accordingly, the CDs may underperform a similar investment that reflects the return on physical commodities.

**Suspension or disruptions of market trading in relevant commodity and related futures markets may adversely affect the value of the CDs.**

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

**Changes in the margin requirements for any commodity futures contracts underlying a Commodity Index or a Commodity Fund may adversely affect the value of the CDs.**

Futures exchanges require market participants to post collateral in order to open and keep open positions in futures contracts. If an exchange changes the amount of collateral required to be posted to hold positions in commodity futures contracts underlying any Commodity Index or Commodity Fund, market participants may adjust their positions, which may affect prices of the relevant commodity futures contracts. As a result, the level of that Commodity Index or the price of that Commodity Fund, as applicable, may be affected, which may adversely affect the value of the CDs.

**A Commodity Index or a Commodity Fund may be subject to pronounced risks of pricing volatility.**

As a general matter, the risk of low liquidity or volatile pricing around the maturity date of a commodity futures contract is greater than in the case of other futures contracts because (among other factors) a number of market participants take physical delivery of the underlying commodities. Many commodities, like those in the energy and industrial metals sectors, have liquid futures contracts that expire every month. Therefore, these contracts are rolled forward every month. Contracts based on certain other commodities, most notably agricultural and livestock products, tend to have only a few contract months each year that trade with substantial liquidity. Thus, these commodities, with related futures contracts that expire infrequently, roll forward less frequently than every month and can have further pronounced pricing volatility during extended periods of low liquidity. The risk of irregular liquidity or pricing around the maturity date of a commodity futures contract is greater than in the case of other futures contracts because (among other factors) a number of market participants take delivery of the underlying commodities. In respect of a Commodity Index or a Commodity Fund that represents energy, it should be noted that due to the significant level of continuous consumption, limited reserves and oil cartel controls, energy commodities are subject to rapid price increases in the event of perceived or actual shortages. These factors (when combined or in isolation) may affect the price of futures contracts and, as a consequence, the level of a Commodity Index or the price of a Commodity Fund and any payment on the CDs.

**Changes in future prices of commodity futures contracts included in a Commodity Index or held by a Commodity Fund relative to their current prices may lead to a decrease in any payment on the CDs.**

A Commodity Index is composed of, and a Commodity Fund holds, futures contracts on physical commodities. As the contracts underlying a Commodity Index or a Commodity Fund come to expiration, they are replaced by contracts that have a later expiration. For example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November.

This is accomplished by selling the October contract and purchasing the November contract. This process is referred to as “rolling.” Excluding other considerations, if the market for the underlying futures contracts is in “contango,” where the prices are higher in the distant delivery months than in the nearer delivery months, the purchase of the November contract would take place at a price that is higher than the price of the October contract, thereby creating a negative “roll yield.” In addition, excluding other considerations, if the market for the underlying futures contracts is in “backwardation,” where the prices are lower in the distant delivery months than in the nearer delivery months, the purchase of the November contract would take place at a price that is lower than the price of the October contract, thereby creating a positive “roll yield.”

For CDs that provide long (or bullish) exposure to a Commodity Index or Commodity Fund, the presence of contango in the commodity markets could adversely affect the value of that Commodity Index or Commodity Fund and, accordingly, any payment on the CDs. In addition, for CDs that provide short (or bearish) exposure to a Commodity Index or Commodity Fund, the presence of backwardation in the commodity markets could adversely affect the value of that Commodity Index or Commodity Fund and, accordingly, any payment on the CDs.

**For CDs linked to a Commodity Index, the CDs may be linked to an excess return index and not to a total return index.**

The CDs may be linked to an excess return index and not to a total return index. The return from investing in futures contracts derives from three sources: (a) changes in the price of the relevant futures contracts (which is known as the “**price return**”); (b) any profit or loss realized when rolling the relevant futures contracts (which is known as the “**roll return**”); and (c) any interest earned on the cash deposited as collateral for the purchase of the relevant futures contracts (which is known as the “**collateral return**”).

Some commodity indices are excess return indices that measure the returns accrued from investing in uncollateralized futures contracts (*i.e.*, the sum of the price return and the roll return associated with an investment in futures contracts). By contrast, a total return index, in addition to reflecting those returns, also reflects interest that could be earned on funds committed to the trading of the underlying futures contracts (*i.e.*, the collateral return associated with an investment in futures contracts). If the CDs provide long (or bullish) exposure to a Commodity Index that is an excess return index, then investing in the CDs will not generate the same return as would be generated from investing directly in the relevant futures contracts or in a total return index related to the relevant futures contracts.

**For CDs that provide short (or bearish) exposure to a Commodity Index that is a total return index, your return on the CDs will be adversely affected by any interest earned on the cash deposited as collateral for the purchase of the relevant futures contracts.**

The CDs may provide short (or bearish) exposure to a Commodity Index that is a total return index. The return from investing in futures contracts derives from three sources: (a) changes in the price of the relevant futures contracts (which is known as the “price return”); (b) any profit or loss realized when rolling the relevant futures contracts (which is known as the “roll return”); and (c) any interest earned on the cash deposited as collateral for the purchase of the relevant futures contracts (which is known as the “collateral return”).

Some commodity indices are excess return indices that measure the returns accrued from investing in uncollateralized futures contracts (*i.e.*, the sum of the price return and the roll return associated with an investment in futures contracts). By contrast, a total return index, in addition to reflecting those returns, also reflects interest that could be earned on funds committed to the trading of the underlying futures contracts (*i.e.*, the collateral return associated with an investment in futures contracts). If the CDs are linked to a Commodity Index that is a total return index, any interest earned on the cash deposited as collateral for the purchase of the relevant futures contracts will have a positive effect on the level of that index, which will adversely affect the value of the CDs.

**The prices of commodities are volatile and are affected by numerous factors, certain of which are specific to the commodity sector for each commodity.**

A change in the price of any of the commodities upon which the futures contracts underlying a Commodity Index or a Commodity Fund are based may have a material adverse effect on the value of the CDs and your return

on an investment in the CDs. Commodities and commodity futures contracts are subject to the effect of numerous factors, certain of which are specific to the commodity sector for each commodity or commodity futures contract to which your CDs provide exposure, as discussed below. The relevant terms supplement or any accompanying underlying supplement may provide additional risk factors relating to any relevant Commodity Index or Commodity Fund.

#### *Agricultural Sector*

Global prices of agricultural commodities, including cocoa, coffee, corn, cotton, soybeans, sugar and wheat, are primarily affected by the global demand for and supply of those commodities, but are also significantly influenced by speculative actions and by currency exchange rates. In addition, prices for agricultural commodities are affected by governmental programs and policies regarding agriculture, as well as general trade, fiscal and exchange control policies. Extrinsic factors, such as drought, floods, general weather conditions, disease and natural disasters may also affect agricultural commodity prices. Demand for agricultural commodities, such as wheat, corn and soybeans, both for human consumption and as cattle feed, has generally increased with worldwide growth and prosperity.

#### *Energy Sector*

Global prices of energy commodities, including WTI crude oil, Brent crude oil, RBOB gasoline, heating oil, gasoil and natural gas, are primarily affected by the global demand for and supply of these commodities, but they are also significantly influenced by speculative actions and by currency exchange rates. In addition, prices for energy commodities are affected by governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, trading activities in commodities and related contracts, trade, fiscal, monetary and exchange control policies, and with respect to oil, drought, floods, weather, government intervention, environmental policies, embargoes and tariffs. Demand for refined petroleum products by consumers, as well as by the agricultural, manufacturing and transportation industries, affects the price of energy commodities. Sudden disruptions in the supplies of energy commodities, such as those caused by war, natural events, accidents or acts of terrorism, may cause prices of energy commodity futures contracts to become extremely volatile and unpredictable. Also, sudden and dramatic changes in the futures market may occur, for example, upon a cessation of hostilities that may exist in countries producing energy commodities, the introduction of new or previously withheld supplies into the market or the introduction of substitute products or commodities. In particular, supplies of crude oil may increase or decrease depending on, among other factors, production decisions by the Organization of the Oil and Petroleum Exporting Countries (“OPEC”) and other crude oil producers. Crude oil prices are determined with significant influence by OPEC, which has the capacity to influence oil prices worldwide because its members possess a significant portion of the world’s oil supply. Crude oil prices are generally more volatile and more subject to dislocation than are prices of other commodities. Demand for energy commodities such as oil and gasoline is generally linked to economic activity and will tend to reflect general economic conditions.

#### *Industrial Metals Sector*

Global prices of industrial metals commodities, including aluminum, copper, lead, nickel and zinc, are primarily affected by the global demand for and supply of these commodities, but they are also significantly influenced by speculative actions and by currency exchange rates. Demand for industrial metals is significantly influenced by the level of global industrial economic activity. Prices for industrial metals commodities are affected by governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, trading activities in commodities and related contracts, trade, fiscal, monetary and exchange control policies, government intervention, embargoes and tariffs. An additional, but highly volatile, component of demand for industrial metals is adjustments to inventory in response to changes in economic activity and/or pricing levels, which will influence investment decisions in new mines and smelters. Sudden disruptions in the supplies of industrial metals, such as those caused by war, natural events, accidents, acts of terrorism, transportation problems, labor strikes and shortages of power, may cause prices of industrial metals futures contracts to become extremely volatile and unpredictable. The introduction of new or previously withheld supplies into the market or the introduction of substitute products or commodities will also affect the prices of industrial metals commodities.

### *Livestock Sector*

Livestock commodities, including live cattle, feeder cattle and lean hogs, are “non-storable” commodities, and therefore may experience greater price volatility than traditional commodities. Global livestock commodity prices are primarily affected by the global demand for and supply of those commodities, but are also significantly influenced by speculative actions and by currency exchange rates. In addition, prices for livestock commodities are affected by governmental programs and policies regarding livestock, as well as general trade, fiscal and exchange control policies. Extrinsic factors, such as drought, floods, general weather conditions, disease (*e.g.*, Bovine Spongiform Encephalopathy, or Mad Cow Disease), availability of and prices for livestock feed and natural disasters may also affect livestock commodity prices. Demand for livestock commodities has generally increased with worldwide growth and prosperity.

### *Precious Metals Sector*

Global prices of precious metals commodities, including gold, silver, platinum and palladium, are primarily affected by the global demand for and supply of those commodities, but they are also significantly influenced by speculative actions and by currency exchange rates. Demand for precious metals is significantly influenced by the level of global industrial economic activity. Prices for precious metals are affected by governmental programs and policies, national and international political and economic events, expectations with respect to the rate of inflation, changes in interest and exchange rates, trading activities in commodities and related contracts, trade, fiscal, monetary and exchange control policies, government intervention, embargoes and tariffs. Sudden disruptions in the supplies of precious metals, such as those caused by war, natural events, accidents, acts of terrorism, transportation problems, labor strikes and shortages of power, may cause prices of precious metals futures contracts to become extremely volatile and unpredictable. In addition, prices for precious metals can be affected by numerous other factors, including jewelry demand and production levels.

**A separate underlying supplement or the relevant terms supplement may provide additional risk factors relating to any Underlying to which the CDs are linked.**

## USE OF PROCEEDS AND HEDGING

Unless otherwise specified in the relevant terms supplement, the net proceeds we receive from the sale of the CDs will be used for general corporate purposes and, in part, by us or by one or more of our affiliates in connection with hedging our obligations under the CDs. The CDs will be offered to meet investor demand for products that reflect the risk-return profile and market exposure provided by the CDs as set forth in the relevant terms supplement.

Unless otherwise specified in the relevant terms supplement, the original issue price of the CDs will be equal to the estimated value of the CDs plus the selling commissions and structuring fees, if any, paid to each agent and other affiliated or unaffiliated dealers (as shown on the cover page of the relevant terms supplement), plus (minus) the projected profits (losses) that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the CDs, plus the estimated cost of hedging our obligations under the CDs. See “Description of the CDs — JPMS’s Estimated Value of the CDs” and the relevant terms supplement for additional information about JPMS’s estimated value.

On or prior to the date of the relevant terms supplement, we, through our affiliates or others, expect to hedge some or all of our anticipated exposure in connection with the CDs. In addition, from time to time after we issue the CDs, we, through our affiliates or others, may enter into additional hedging transactions and close out or unwind those we have entered into, in connection with the CDs and possibly in connection with our or our affiliates’ exposure to one or more Reference Stocks, Indices or Funds or the securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or related currency exchange rates. To accomplish this, we, through our affiliates or others, may take positions in one or more Reference Stocks, Indices or Funds, the securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or related currency exchange rates, or instruments the value of which is derived from one or more Reference Stocks, Indices or Funds or the securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or related currency exchange rates. From time to time, prior to maturity of the CDs, we may pursue a dynamic hedging strategy that may involve taking long or short positions in the instruments described above.

While we cannot predict an outcome, any of these hedging activities or other trading activities of ours could potentially affect the value of the Underlying(s) in a manner that adversely affects the value of the CDs or any payment on the CDs. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. It is possible that these hedging or trading activities could result in substantial returns for us or our affiliates while the value of the CDs declines. See “Risk Factors — Risks Relating to Conflicts of Interest — We or our affiliates may have economic interests that are adverse to those of the holders of the CDs as a result of our hedging and other trading activities” above.

We have no obligation to engage in any manner of hedging activity and will do so solely at our discretion and for our own account. We may hedge our exposure on the CDs directly or we may aggregate this exposure with other positions taken by us and our affiliates with respect to our exposure to one or more Reference Stocks, Indices or Funds or the securities, commodities, futures contracts or other assets or market measures underlying one or more Indices or Funds or related currency exchange rates. No CD holder will have any rights or interest in our hedging activity or any positions that we or any unaffiliated counterparties may take in connection with our hedging activity.

## GENERAL TERMS OF THE CDs

### CD Calculation Agent

Unless otherwise specified in the relevant terms supplement, J.P. Morgan Securities LLC, one of our affiliates, will act as the CD calculation agent. We may appoint a different CD calculation agent from time to time after the date of the relevant terms supplement without your consent and without notifying you.

The CD calculation agent will make all necessary calculations and determinations in connection with the CDs, including calculations and determinations relating to any payments on the CDs and the assumptions used to determine the pricing and estimated value of the CDs. All determinations made by the CD calculation agent will be in the sole discretion of the CD calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us.

Unless otherwise specified in the relevant terms supplement, all values with respect to calculations in connection with the CDs will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., 0.876545 would be rounded to 0.87655). Notwithstanding the foregoing, all dollar amounts related to determination of any payment on the CDs per CD will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., 0.76545 would be rounded up to 0.7655); and all dollar amounts payable on the aggregate principal amount of CDs per holder will be rounded to the nearest cent, with one-half cent rounded upward unless otherwise specified in the relevant terms supplement.

### Postponement of a Payment Date

If any scheduled Payment Date is not a business day, then that Payment Date will be the next succeeding business day following the scheduled Payment Date. If, due to a market disruption event or otherwise, any Determination Date referenced in the determination of a payment on the CDs that will or may be payable on any Payment Date is postponed so that it falls less than three business days prior to that scheduled Payment Date, that Payment Date will be the third business day following the latest such Determination Date, as postponed, unless otherwise specified in the relevant terms supplement. If any Payment Date is adjusted as the result of a non-business day, a market disruption event or otherwise, any payment of interest due on that Payment Date will be made on that Payment Date as adjusted, with the same force and effect as if that Payment Date had not been adjusted, but no interest will accrue or be payable as a result of the delayed payment.

A “**business day**” is, unless otherwise specified in the relevant terms supplement, any day other than a day on which banking institutions in the City of New York are authorized or required by law, regulation or executive order to close or a day on which transactions in U.S. dollars are not conducted.

### Postponement of a Determination Date

For CDs linked to an Index, the relevant terms supplement or an accompanying underlying supplement may provide a formulation of the postponement provisions that will apply to the CDs instead of the relevant provisions set forth below.

#### *CDs Linked to a Single Underlying*

*CDs Linked to a Single Underlying (Other Than a Commodity Index).* For CDs linked to a single Underlying that is not a Commodity Index, if a Determination Date is a Disrupted Day (as defined below), the applicable Determination Date will be postponed to the immediately succeeding scheduled trading day (as defined below) that is not a Disrupted Day.

In no event, however, will any Determination Date be postponed to a date that is after the applicable Final Disrupted Determination Date (as defined below). If a Determination Date is or has been postponed to the applicable Final Disrupted Determination Date and that day is a Disrupted Day, the CD calculation agent will determine the closing price or closing level, as applicable, of the Underlying (the “**Underlying Value**”) for that Determination Date on that Final Disrupted Determination Date:

- (a) for CDs linked to a Reference Stock or a Fund, in good faith based on the CD calculation agent's assessment of the market value of one share of that Reference Stock or Fund, as applicable, on that Final Disrupted Determination Date;
- (b) for CDs linked to an Equity Index, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, in accordance with the formula for and method of calculating the closing level of that Index last in effect prior to the commencement of the market disruption event (or prior to the non-trading day) using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the CD calculation agent's good faith estimate of the closing price that would have prevailed but for that suspension or limitation or non-trading day) on that Final Disrupted Determination Date of each security most recently constituting that Index; and
- (c) for CDs linked to a Bond Index, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, in good faith and in a commercially reasonable manner.

*CDs Linked to a Single Commodity Index.* For CDs linked to a single Underlying that is a Commodity Index, if a Determination Date is a Disrupted Day, the applicable Determination Date will be postponed to the earlier of the immediately succeeding scheduled trading day that is not a Disrupted Day and the applicable Final Disrupted Determination Date, and the closing level of the Index on that postponed Determination Date will be deemed to be the Adjusted Closing Level (as defined below) of the Index with respect to the originally scheduled Determination Date.

For purposes of this “— CDs Linked to a Single Underlying” section, with respect to a Determination Date, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the “**Final Disrupted Determination Date**” means the earlier of:

- (a) the tenth scheduled trading day after that Determination Date, as originally scheduled; and
- (b) the last date that could serve as the final Determination Date without causing the maturity date to be more than one year (counting for this purpose either the issue date or the last possible date that the CDs could be outstanding, but not both) after the issue date.

*CDs Linked to Multiple Underlyings*

For CDs linked to multiple Underlyings, if a Determination Date is a Disrupted Day for any Underlying (any Underlying affected by a Disrupted Day, a “**Disrupted Underlying**”), the applicable Determination Date will be postponed to the earliest day on which the Underlying Value of each Underlying has been established as described below:

- (a) for each Underlying that is not a Disrupted Underlying (an “**Unaffected Underlying**”), the Underlying Value on the postponed Determination Date will be deemed to be the Underlying Value on the originally scheduled Determination Date;
- (b) for each Disrupted Underlying that is not a Commodity Index, the Underlying Value on the postponed Determination Date will be deemed to be the Underlying Value on the first scheduled trading day immediately following the originally scheduled Determination Date that is not a Disrupted Day for that Disrupted Underlying; and
- (c) for each Disrupted Underlying that is a Commodity Index, the Underlying Value on the postponed Determination Date will be deemed to be the Adjusted Closing Level of that Index with respect to the originally scheduled Determination Date.

Accordingly, if a Determination Date is postponed as described above, the CD calculation agent may reference the Underlying Values of the Underlyings from different days when making any determinations with respect to that scheduled Determination Date, as postponed.



For example, assume that the CDs are linked to three Underlyings that are not Commodity Indices, Underlying A, Underlying B and Underlying C, and that:

- (a) Scheduled Trading Day 1, a scheduled Determination Date, is not a Disrupted Day for Underlying A, but is a Disrupted Day for Underlyings B and C;
- (b) Scheduled Trading Day 2 is not a Disrupted Day for Underlying B, but is a Disrupted Day for Underlying C; and
- (c) Scheduled Trading Day 3 is not a Disrupted Day for Underlying C.

Under these circumstances, the Determination Date originally scheduled to occur on Scheduled Trading Day 1 would be postponed to Scheduled Trading Day 3 and, with respect to that Determination Date, as postponed, the Underlying Values would be deemed to be (a) for Underlying A, the Underlying Value on Scheduled Trading Day 1; (b) for Underlying B, the Underlying Value on Scheduled Trading Day 2; and (c) for Underlying C, the Underlying Value on Scheduled Trading Day 3.

In no event, however, will any Determination Date be postponed to a date that is after the applicable Final Disrupted Determination Date. If a Determination Date is or has been postponed to the applicable Final Disrupted Determination Date and on that day, the Underlying Value for any Disrupted Underlying has not been established in accordance with the first paragraph of this “— CDs Linked to Multiple Underlyings” section (a “**Final Disrupted Underlying**”), the Underlying Value for that Determination Date will be determined by the CD calculation agent on that Final Disrupted Determination Date and will be deemed to be:

- (a) for each Unaffected Underlying, the Underlying Value on the originally scheduled Determination Date;
- (b) for each Disrupted Underlying that is not a Final Disrupted Underlying, the Underlying Value determined in the manner described in the first paragraph of this “— CDs Linked to Multiple Underlyings” section;
- (c) for each Final Disrupted Underlying that is a Reference Stock or a Fund, the closing price of one share of that Reference Stock or Fund, as applicable, determined by the CD calculation agent in good faith based on the CD calculation agent’s assessment of the market value of one share of that Reference Stock or Fund, as applicable, on that Final Disrupted Determination Date; and
- (d) for each Final Disrupted Underlying that is an Index, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement:
  - (i) with respect to an Equity Index, the closing level of that Index determined by the CD calculation agent in accordance with the formula for and method of calculating the closing level of that Index last in effect prior to the commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the CD calculation agent’s good faith estimate of the closing price that would have prevailed but for that suspension or limitation or non-trading day) on that Final Disrupted Determination Date of each security most recently constituting that Index;
  - (ii) with respect to a Bond Index, the closing level of that Index on that Final Disrupted Determination Date determined by the CD calculation agent in good faith and in a commercially reasonable manner; and
  - (iii) with respect to a Commodity Index, the Adjusted Closing Level of that Index with respect to the originally scheduled Determination Date.

For purposes of this “— CDs Linked to Multiple Underlyings” section, with respect to a Determination Date, unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the “**Final Disrupted Determination Date**” means the earlier of:

- (a) the tenth scheduled trading day after that Determination Date, as originally scheduled, for each of the Underlyings (or, if that tenth scheduled trading day is not the same day for each of the Underlyings, the latest of those tenth scheduled trading days); and
- (b) the last date that could serve as the final Determination Date without causing the maturity date to be more than one year (counting for this purpose either the issue date or the last possible date that the CDs could be outstanding, but not both) after the issue date.

### ***Adjusted Closing Level of a Commodity Index***

The “**Adjusted Closing Level**” of a Commodity Index with respect to a Determination Date that is a Disrupted Day will be determined by the CD calculation agent and will be calculated in accordance with the formula for and method of calculating the closing level of that Index last in effect prior to the originally scheduled Determination Date, using:

- (a) with respect to each Unaffected Index Contract, the official settlement price of that Unaffected Index Contract as of the originally scheduled Determination Date (including any delayed publication of that official settlement price for the originally scheduled Determination Date that occurred on or prior to the determination of the postponed Determination Date); and
- (b) with respect to each Affected Index Contract, the official settlement price of that Affected Index Contract on the first scheduled trading day immediately following the originally scheduled Determination Date that is not a Disrupted Day with respect to any Relevant Index Contract with respect to that Affected Index Contract, *provided* that if each day from and including the originally scheduled Determination Date to and excluding the applicable Final Disrupted Determination Date is a Disrupted Day with respect to any such Relevant Index Contract, the price of each such Relevant Index Contract will be determined in good faith based on the CD calculation agent’s assessment of the official settlement price of that Affected Index Contract on that Final Disrupted Determination Date.

With respect to a Determination Date that is a Disrupted Day, a futures contract included in an Index is an “**Unaffected Index Contract**” if no Relevant Index Contract with respect to that futures contract is affected by that Disrupted Day.

With respect to a Determination Date that is a Disrupted Day, a futures contract included in an Index is an “**Affected Index Contract**” if any Relevant Index Contract with respect to that futures contract is affected by that Disrupted Day.

With respect to a futures contract included in an Index, a “**Relevant Index Contract**” means any futures contract included in that Index that references the same commodity as that futures contract (including that futures contract), in accordance with the published methodology of that Index.

### ***Additional Defined Terms***

Unless otherwise specified in the relevant terms supplement, a “**Disrupted Day**” means (a) with respect to an Underlying, a day that is not a trading day with respect to that Underlying or a day on which a market disruption event occurs or is continuing with respect to that Underlying and (b) with respect to a Relevant Index Contract for a futures contract included in a Commodity Index, a day that is not a trading day with respect to that Commodity Index or a day on which a market disruption event that affects that Relevant Index Contract occurs or is continuing.

For additional information about market disruption events, see “The Underlyings” section below.

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, a “**scheduled trading day**” is:

- (a) with respect to a Reference Stock, a Fund or any successor fund, a day, as determined by the CD calculation agent, on which each of the following exchanges is scheduled to be open for trading for their respective regular trading sessions: (i) the relevant exchange for that Reference Stock, Fund or successor

fund, as applicable, and (ii) the exchanges on which futures or options contracts related to that Reference Stock, Fund or successor fund, as applicable, are traded; or, with respect to a security issued by a foreign issuer that is not listed or admitted to trading on a U.S. securities exchange or market, a day, as determined by the CD calculation agent, on the primary non-U.S. securities exchange or market on which that security is listed or admitted to trading is scheduled to be open for trading for its regular trading session;

- (b) with respect to an Equity Index or any relevant successor index, a day, as determined by the CD calculation agent, on which each of the following exchanges is scheduled to be open for trading for their respective regular trading sessions: (i) the relevant exchanges for securities underlying that Index or successor index, as applicable, and (ii) the exchanges on which futures or options contracts related to that Index or successor index, as applicable, are traded; and
- (c) with respect to a Bond Index, a Commodity Index or any relevant successor index, a day, as determined by the CD calculation agent, on which that Index or successor index, as applicable, is scheduled to be published by the sponsor or CD calculation agent of that Index or successor index, as applicable, in accordance with the index rules or methodology that governs that Index or successor index, as applicable.

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, a **“trading day”** is:

- (a) with respect to a Reference Stock, a Fund or any successor fund, a day, as determined by the CD calculation agent, on which trading is generally conducted on (i) the relevant exchange for that Reference Stock, Fund or successor fund, as applicable, and (ii) the exchanges on which futures or options contracts related to that Reference Stock, Fund or successor fund, as applicable, are traded; or, with respect to a security issued by a foreign issuer that is not listed or admitted to trading on a U.S. securities exchange or market, a day, as determined by the CD calculation agent, on which trading is generally conducted on the primary non-U.S. securities exchange or market on which that security is listed or admitted to trading;
- (b) with respect to an Equity Index or any relevant successor index, a day, as determined by the CD calculation agent, on which trading is generally conducted on (i) the relevant exchanges for securities underlying that Index or successor index, as applicable, and (ii) the exchanges on which futures or options contracts related to that Index or successor index, as applicable, are traded; and
- (c) with respect to a Bond Index, a Commodity Index or any relevant successor index, a day, as determined by the CD calculation agent, on which that Index or successor index, as applicable, is published by the sponsor or CD calculation agent of that Index or successor index, as applicable, in accordance with the index rules or methodology that governs that Index or successor index, as applicable.

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, **“relevant exchange”** means:

- (a) with respect to a Reference Stock, an Underlying Stock, a Fund or any successor fund, the primary exchange or market for trading for the shares of that Reference Stock, Underlying Stock, Fund or successor fund, as applicable;
- (b) with respect to an Index, any relevant successor index or any Underlying Index, the primary exchange or market of trading for any security, commodity, futures contract or other asset or market measure (or any combination thereof) then included in that Index, successor index or Underlying Index, as applicable; and
- (c) with respect to any Relevant Index Contract, the primary exchange or market of trading for that futures contract.

### **Consequences of a Commodity Hedging Disruption Event**

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, for CDs linked in whole or in part to a Commodity Index, if a commodity hedging disruption event occurs, we will have the right, but not the obligation, to adjust the timing and amount of any payment on the CDs as described below.

A “**commodity hedging disruption event**,” unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, means that:

- (a) due to (i) the adoption of, or any change in, any applicable law, regulation, rule or order (including, without limitation, any tax law); or (ii) the promulgation of, or any change in, the interpretation, application, exercise or operation by any court, tribunal, regulatory authority, exchange or trading facility or any other relevant entity with competent jurisdiction of any applicable law, rule, regulation, order, decision or determination (including, without limitation, as implemented by the CFTC or any exchange or trading facility), in each case occurring on or after the pricing date, the CD calculation agent determines in good faith that it is contrary (or upon adoption, it will be contrary) to that law, rule, regulation, order, decision or determination for us to purchase, sell, enter into, maintain, hold, acquire or dispose of our or our affiliates’ (A) positions or contracts in securities, options, futures, derivatives or foreign exchange or (B) other instruments or arrangements, in each case, in order to hedge our obligations under the CDs (in the aggregate on a portfolio basis or incrementally on a trade by trade basis) (“**hedge positions**”), including (without limitation) if those hedge positions (in whole or in part) are (or, but for the consequent disposal thereof, would otherwise be) in excess of any allowable position limit(s) in relation to any commodity traded on any exchange(s) or other trading facility (it being within the sole and absolute discretion of the CD calculation agent to determine which of the hedge positions are counted towards that limit); or
- (b) for any reason, we or our affiliates are unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the CD calculation agent deems necessary to hedge the risk of entering into and performing our commodity-related obligations with respect to the CDs, or (ii) realize, recover or remit the proceeds of any of those transaction(s) or asset(s).

Please see “Risk Factors — Risks Relating to a Commodity Index or a Commodity Fund — The commodity futures contracts underlying a Commodity Index or a Commodity Fund are subject to legal and regulatory regimes that may change in ways that could have a substantial adverse effect on the value of the CDs and, for CDs linked to a Commodity Index, could affect the timing and amount of any payment on the CDs” for more information.

#### ***Adjustment of the Payment at Maturity***

Unless otherwise specified in the relevant terms supplement, this “Adjustment of the Payment at Maturity” subsection will apply to CDs linked in whole or in part to a Commodity Index for which the payment at maturity, for each CD, is equal to the Principal Amount *plus* a cash payment determined as specified in the relevant terms supplement (the “**Additional Amount**”). The relevant terms supplement may specify that the Additional Amount will not be less than a specified amount (the “**Minimum Amount**”). The relevant terms supplement may also specify that the CDs will or may pay interest based on the performance of the Underlying(s).

If this subsection applies and a commodity hedging disruption event occurs, we will have the right, but not the obligation, to cease making further interest payments (if applicable) and to adjust your payment at maturity based on determinations made by the CD calculation agent as described below. If a commodity hedging disruption event occurs and we choose to exercise this right, (a) we will cease making further interest payments (if applicable) and the only remaining payment per CD will be due and payable only at maturity and (b) for each CD, we will pay you at maturity, instead of the amounts set forth in the relevant terms supplement, an amount equal to:

- (i) the Option Value; *plus*
- (ii) the Principal Amount.

For purposes of this “Adjustment of the Payment at Maturity” subsection, the “**Option Value**” will be determined by the CD calculation agent in good faith and in a commercially reasonable manner and will be a fixed amount representing the price of the embedded option representing the Additional Amount payable on the CDs at maturity, as of the date on which the calculation agent determines that a commodity hedging disruption event has occurred (a “**commodity hedging disruption date**”), and the price of the embedded option representing each of the remaining interest payments (if applicable) from but excluding the commodity hedging disruption date through and

including the maturity date, as of the commodity hedging disruption date, *provided* that the Option Value may not be less than zero (or, if applicable, the Minimum Amount).

If a commodity hedging disruption event occurs and we decide to exercise this right, we will provide, or cause the CD calculation agent to provide, written notice of our election to exercise this right to DTC. We, or the CD calculation agent, will deliver this notice as promptly as possible and in no event later than the fifth business day immediately following the commodity hedging disruption date. Additionally, we will specify in the notice the Option Value as determined on the commodity hedging disruption date.

#### ***Adjustment of Remaining Interest Payments***

Unless otherwise specified in the relevant terms supplement, this “Adjustment of Remaining Interest Payments” subsection will apply to CDs linked in whole or in part to a Commodity Index if the relevant terms supplement specifies that the CDs will or may pay interest based on the performance of the Underlying(s) and that your payment at maturity for each CD will be equal to the Principal Amount.

If this subsection applies and a commodity hedging disruption event occurs, we will have the right, but not the obligation, to adjust further interest payments based on determinations made by the CD calculation agent as described below. If a commodity hedging disruption event occurs and we choose to exercise this right, for each CD, we will pay you on each remaining interest payment date, instead of the amounts set forth in the relevant terms supplement, an amount equal to:

- (i) the Option Value; *divided by*
- (ii) the number of interest payment dates occurring after the commodity hedging disruption date.

For the avoidance of doubt, for each CD, we will pay to you on the maturity date, in addition to any adjusted interest payment described above payable on the maturity date, the Principal Amount.

For purposes of this “Adjustment of Remaining Interest Payments” subsection, the “**Option Value**” will be determined by the CD calculation agent in good faith and in a commercially reasonable manner and will be a fixed amount representing the price of the embedded option representing each of the interest payments from but excluding the commodity hedging disruption date through and including the maturity date, as of the commodity hedging disruption date, *provided* that the Option Value will not be less than zero or, if a minimum interest rate applies, the sum of the remaining interest payments that would otherwise be payable based on the minimum interest rate or, if a maximum interest rate applies, greater than the sum of the remaining interest payments that would otherwise be payable based on the maximum interest rate.

If a commodity hedging disruption event occurs and we decide to exercise this right, we will provide, or cause the CD calculation agent to provide, written notice of our election to exercise this right to DTC. We (or the CD calculation agent) will deliver this notice as promptly as possible and in no event later than the fifth business day immediately following the commodity hedging disruption date. Additionally, we will specify in the notice the Option Value as determined on the commodity hedging disruption date.

#### **Reopening Issuances**

We may, in our sole discretion, “reopen” the CDs based upon market conditions and the value of the Underlying(s) at that time. We intend to issue the CDs initially in an amount having the aggregate offering price specified on the cover of the relevant terms supplement. However, we may issue additional CDs in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The CDs do not limit our ability to incur indebtedness or to issue other financial instruments. Also, we are not subject to financial or similar restrictions by the terms of the CDs. These further issuances, if any, will be consolidated to form a single sub-series with the originally issued CDs, will have the same CUSIP number and will trade interchangeably with the CDs immediately upon settlement. Any CDs bearing the same CUSIP number that are issued pursuant to any future additional issuances of CDs bearing the same CUSIP number will increase the aggregate principal amount of the outstanding CDs of this series. The price of any additional offering will be determined at the time of pricing of that offering.

*We have no obligation to take your interests into account when deciding whether to issue additional CDs. In addition, we are under no obligation to reopen any series of CDs or to issue any additional CDs.*

## **Governing Law**

The CDs will be governed by and interpreted in accordance with the laws of the State of New York.

## **Brokered CDs**

The CDs may be offered and sold by JPMS and other dealers in the primary market. A dealer offering the CDs to its customers is doing so pursuant to an arrangement between such dealer and JPMS. Such dealer makes no representation or warranty about the accuracy of this disclosure and makes no guarantee in any way about the financial condition of the Bank.

## **Additions and Withdrawals**

### *General*

When you purchase a CD, you agree with us to keep your funds on deposit for the term of the CD. Accordingly, no additions are permitted to be made to any CD, and no withdrawals are permitted to be made from any CD, except that withdrawal will be permitted in the event of the death of the beneficial owner of a CD, which right we refer to as the “**Survivor’s Option**,” or in the event of the adjudication of incompetence of the beneficial owner of the CDs by a court or other administrative body of competent jurisdiction. In such event, and unless otherwise specified in “— Survivor’s Option” with respect to the death of the owner of a CD, provided that prior written notice of such proposed withdrawal has been given to your broker and the Bank, together with appropriate documentation to support such request, the Bank will permit withdrawal of all CDs held by such beneficial owner (no partial withdrawals will be permitted). The amount payable by the Bank on any CDs upon such withdrawal will equal the principal amount of the withdrawn CDs. For information about the amount payable by the Bank upon early withdrawal after the death of the beneficial owner of a CD and the procedures and limitations on such early withdrawals of the CDs, please see “— Survivor’s Option” below.

If the relevant terms supplement provides for an election for early redemptions or withdrawals for any reason other than the death or adjudication of incompetence of a depositor, such terms supplement will set forth the method for calculating the early redemption amount you will be entitled to receive. Upon early redemption or withdrawal of a CD, the amount you receive may be less, and possibly significantly less, than the principal amount of your CD.

In the event we were to fail between an early redemption date (as defined and specified in the relevant terms supplement) and the time you receive the early redemption amount (as defined and specified in the relevant terms supplement), the early redemption amount in excess of the principal amount of the CD, if any, may not be FDIC insured.

### *Survivor’s Option*

A holder of CDs will have the right to require us to repay such CDs prior to the maturity date, if requested by the authorized representative of the beneficial owner of such CDs following the death of the beneficial owner of such CDs. To exercise the Survivor’s Option, the CDs must have been acquired by the deceased beneficial owner at least six months prior to the date of exercise of the Survivor’s Option. Unless otherwise specified in the relevant terms supplement, upon valid exercise of the Survivor’s Option and the proper tender of CDs for repayment, and subject to the conditions set forth herein, we will repay such CDs, in whole but not in part, at a price equal to 100% of the principal amount of the deceased beneficial owner’s beneficial interest in such CDs so tendered. For purposes of this section, a beneficial owner of a CD is a person who has the right, immediately prior to such person’s death, to receive the proceeds from the disposition of that CD, as well as the right to receive payment of the principal of the CD at maturity.

To be valid, within one year of the date of death of the deceased beneficial owner, the Survivor’s Option must be exercised by, or on behalf of, the person who has authority to act on behalf of the deceased beneficial owner of the applicable CDs (including, without limitation, the personal representative or executor of the estate of the

deceased beneficial owner, or the surviving joint owner with the deceased beneficial owner) under the laws of the applicable jurisdiction.

The death of a person holding a beneficial ownership interest in a CD: (a) with any person in a joint tenancy with right of survivorship; or (b) with his or her spouse in tenancy by the entirety, tenancy in common, as community property or in any other joint ownership arrangement, will be deemed the death of a beneficial owner of that CD, and the entire principal amount of the CD held in this manner will be subject to repayment by us upon request as described in this section. However, the death of a person holding a beneficial ownership interest in a CD as tenant in common with a person other than his or her spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interests in the CD, and only the deceased beneficial owner's percentage interest in the principal amount of the CD will be subject to repayment upon a valid exercise of the Survivor's Option.

If the ownership interest in a CD is held by a nominee for a beneficial owner or by a custodian under a Uniform Gifts to Minors Act or Uniform Transfer to Minors Act, or by a trustee of a trust that is wholly revocable by its beneficial owner, or by a guardian or committee for a beneficial owner, the death of such beneficial owner will be deemed the death of a beneficial owner for purposes of the Survivor's Option, if the beneficial ownership interest can be established to our satisfaction. In any of these cases, the death or dissolution of the nominee, custodian, trustee, guardian or committee will not be deemed the death of the beneficial owner of the CD for purposes of the Survivor's Option. For purposes of clarification, trustees of trusts originally established as irrevocable trusts are not eligible to exercise the Survivor's Option nor may the Survivor's Option be exercised where CDs have been transferred from the estate of the deceased owner by operation of a transfer on death.

A valid election to exercise the Survivor's Option may not be withdrawn. Tenders of CDs pursuant to an exercise of the Survivor's Option will be processed in the order received by us. CDs accepted for repayment pursuant to exercise of the Survivor's Option will be repaid on the 20th calendar day after the date of exercise of the Survivor's Option.

Because the CDs will be evidenced by one or more master certificates issued by us and held by or on behalf of DTC, DTC or its nominee will be treated as the holder of the CDs, will be the only entity that receives notices from us and, on behalf of the deceased beneficial owner's authorized representative, will be the only entity that can exercise the Survivor's Option for the CDs. Accordingly, to properly tender a CD for repayment pursuant to exercise of the Survivor's Option, the deceased beneficial owner's authorized representative must provide the following documentation and evidence to the broker or other DTC participant through which the beneficial interest in the CD is held by the deceased beneficial owner:

- appropriate evidence satisfactory to us that:
  - (1) the deceased was the beneficial owner of the CD at the time of death and his or her interest in the CD was acquired by the deceased beneficial owner at least six months prior to the tender of the CD for repayment pursuant to the Survivor's Option,
  - (2) the death of the beneficial owner has occurred and the date of death, and
  - (3) the representative has authority to act on behalf of the deceased beneficial owner;
- if the beneficial interest in the CD is held by a nominee or trustee of, custodian for, or other person in a similar capacity to, the deceased beneficial owner, evidence satisfactory to us from the nominee, trustee, custodian or similar person attesting to the deceased's beneficial ownership of the tendered CD;
- a written request for repayment pursuant to the Survivor's Option signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a firm that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program (generally a member of a registered national securities exchange, a member of FINRA or a commercial bank or trust company having an office in the United States);

- tax waivers and any other instruments or documents that we reasonably require in order to establish the validity of the beneficial ownership of the CD and the claimant's entitlement to payment; and
- any additional information we may require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the CD.

We expect that the broker or other DTC participant will deliver in turn these documents and evidence, through the appropriate DTC participant, if applicable, and the facilities of DTC, to us and will certify to us that the broker or other DTC participant represents the deceased beneficial owner. The broker or other DTC participant will be responsible for disbursing payments received from us, through the facilities of DTC, to the authorized representative.

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



## THE UNDERLYINGS

### Reference Stocks

If the CDs are linked to any Reference Stock, the relevant terms supplement will provide summary information regarding the business of the issuer of that Reference Stock based on its publicly available documents, without independent verification.

Companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, DC 20549, and copies of those materials can be obtained from the Public Reference Section of the SEC, 100 F Street, NE, Washington, DC 20549, at prescribed rates. In addition, information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC's website is <http://www.sec.gov>. Information regarding the issuer of any Reference Stock may also be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

**This disclosure statement and the relevant terms supplement relate only to the CDs offered thereby and do not relate to any Reference Stock or other securities of the issuer of any Reference Stock. All disclosures contained in the relevant terms supplement regarding the issuer of any Reference Stock will be derived from publicly available documents and other publicly available information, without independent verification. We have not participated, and will not participate, in the preparation of those documents, and we have not made, and will not make, any due diligence inquiry with respect to the issuer of any Reference Stock in connection with the offering of the CDs. We do not make any representation that those publicly available documents or any other publicly available information regarding the issuer of any Reference Stock is accurate or complete, and we are not responsible for public disclosure of information by the issuer of any Reference Stock, whether contained in filings with the SEC or otherwise. We also cannot give any assurance that all events occurring prior to the date of the relevant terms supplement (including events that would affect the accuracy or completeness of the publicly available documents of the issuer of any Reference Stock) that would affect the value of any Reference Stock will have been publicly disclosed. Subsequent disclosure of any of these events or the disclosure of, or failure to disclose, material future events concerning the issuer of any Reference Stock could affect the market value of the CDs or any payment on the CDs. Any prospective purchaser of the CDs should undertake an independent investigation of the issuer of any Reference Stock as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.**

### *Price of One Share of a Reference Stock*

Unless otherwise specified in the relevant terms supplement, the “**closing price**” of one share of a Reference Stock (or one unit of any other security for which a closing price must be determined) on any relevant day means:

- if that Reference Stock (or that security) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way (or, in the case of The NASDAQ Stock Market, the official closing price), of the principal trading session on that day on the principal U.S. securities exchange registered under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), on which that Reference Stock (or that security) is listed or admitted to trading;
- if that Reference Stock (or that security) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board Service (or any successor service) operated by Financial Industry Regulatory Authority, Inc. (“**FINRA**”) (the “**OTC Bulletin Board**”), the last reported sale price of the principal trading session on the OTC Bulletin Board on that day;
- if that Reference Stock (or that security) is issued by a foreign issuer and its closing price cannot be determined as set forth in the two bullet points above, and that Reference Stock (or that security) is listed or admitted to trading on a non-U.S. securities exchange or market, the last reported sale price, regular way, of

the principal trading session on that day on the primary non-U.S. securities exchange or market on which that Reference Stock (or that security) is listed or admitted to trading; or

- otherwise, if none of the above circumstances is applicable, the mean, as determined by the CD calculation agent, of the bid prices for that Reference Stock (or that security) obtained from as many dealers in that Reference Stock (or that security), but not exceeding three, as will make such bid prices available to the CD calculation agent. Bids of any of our affiliates may be included in the calculation of the mean, but only to the extent that any of those bids is not the highest or the lowest of the bids obtained,

in each case *multiplied* by the then-current Stock Adjustment Factor, subject to the provisions of “General Terms of the CDs — Postponement of a Determination Date” above and “— Reorganization Events” below.

Unless otherwise specified in the relevant terms supplement, the “**trading price**” for one share of a Reference Stock (or one unit of any other security for which a trading price must be determined) at any time on any relevant day means:

- if that Reference Stock (or that security) is listed or admitted to trading on a national securities exchange, the most recently reported sale price, regular way, at that time during the principal trading session on that day on the principal U.S. securities exchange registered under the Exchange Act, on which that Reference Stock (or that security) is listed or admitted to trading;
- if that Reference Stock (or that security) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board, the most recently reported sale price at that time during the principal trading session on the OTC Bulletin Board on that day; or
- if that Reference Stock (or that security) is issued by a foreign issuer and its trading price cannot be determined as set forth in the two bullet points above, and that Reference Stock (or that security) is listed or admitted to trading on a non-U.S. securities exchange or market, the most recently reported sale price, regular way, at that time during the principal trading session on that day on the primary non-U.S. securities exchange or market on which that Reference Stock (or that security) is listed or admitted to trading,

in each case *multiplied* by the then-current Stock Adjustment Factor, subject to the provisions of “— Reorganization Events” below.

Unless otherwise specified in the relevant terms supplement, with respect to a Reference Stock, the “**Stock Adjustment Factor**” will be set initially at 1.0, subject to adjustment upon the occurrence of certain corporate events affecting that Reference Stock. See “ — Anti-Dilution Adjustments” and “ — Reorganization Events” below.

#### ***Market Disruption Events for a Reference Stock***

With respect to a Reference Stock (or any security for which a closing price must be determined), a “**market disruption event**,” unless otherwise specified in the relevant terms supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of that Reference Stock (or that security) on the relevant exchange for that Reference Stock (or that security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on that relevant exchange;
- a breakdown or failure in the price and trade reporting systems of the relevant exchange for that Reference Stock (or that security) as a result of which the reported trading prices for that Reference Stock (or that security) during the one-half hour period preceding the close of the principal trading session on that relevant exchange are materially inaccurate;
- the occurrence or existence of a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to that Reference Stock (or that

security), if available, during the one-half hour period preceding the close of the principal trading session on that exchange or market; or

- a decision to permanently discontinue trading in those related futures or options contracts,

in each case, as determined by the CD calculation agent in its sole discretion; and

- a determination by the CD calculation agent in its sole discretion that the applicable event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

For purposes of determining whether a market disruption event with respect to a Reference Stock (or any security for which a closing price must be determined) has occurred, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange, or the primary exchange or market for trading in futures or options contracts related to that Reference Stock (or that security);
- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the CD calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- a suspension of trading in futures or options contracts on that Reference Stock (or that security) by the primary exchange or market for trading in those contracts, if available, by reason of:
  - a price change exceeding limits set by that exchange or market,
  - an imbalance of orders relating to those contracts or
  - a disparity in bid and ask quotes relating to those contracts

will, in each case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to that Reference Stock (or that security); and

- a “suspension, absence or material limitation of trading” on the relevant exchange or on the primary exchange or market on which futures or options contracts related to that Reference Stock (or that security) are traded will not include any time when that exchange or market is itself closed for trading under ordinary circumstances.

### ***Anti-Dilution Adjustments***

The Stock Adjustment Factor for a Reference Stock is subject to adjustment by the CD calculation agent as a result of the anti-dilution adjustments described in this section.

If an event requiring anti-dilution adjustments occurs, notwithstanding the description of the specific adjustments to be made, the CD calculation agent may make adjustments or a series of adjustments that differ from, or that are in addition to, those described in this section with a view to offsetting, to the extent practical, any change in your economic position as a holder of the CDs that results solely from that event to achieve an equitable result. The CD calculation agent may, in its sole discretion, modify any terms as necessary to ensure an equitable result. The terms that may be so modified by the CD calculation agent include, but are not limited to, the Initial Value, the Final Value and/or the Strike Value of any Reference Stock, as well as any other value used in the determination of any payments on the CDs. In determining whether or not any adjustment achieves an equitable result, the CD calculation agent will consider any adjustment made by the Options Clearing Corporation or any other equity derivatives clearing organization on options contracts on the affected Reference Stock or any successor equity.

Unless otherwise specified below, no adjustments to the Stock Adjustment Factor for a Reference Stock will be required unless the Stock Adjustment Factor adjustment would require a change of at least 0.1% in the applicable Stock Adjustment Factor then in effect. The applicable Stock Adjustment Factor resulting from any of the adjustments specified in this section will be rounded to the nearest ten-thousandth with five one hundred-thousandths being rounded upward. The CD calculation agent will not be required to make any adjustments to the Stock Adjustment Factor for a Reference Stock after the close of business on the business day immediately preceding the maturity date.

No adjustments to the Stock Adjustment Factor for a Reference Stock will be required other than those specified below. The required adjustments specified in this section do not cover all events that could affect the closing price of one share of a Reference Stock on any relevant day during the term of the CDs. No adjustments will be made for certain other events, such as offerings of common stock by the issuer of a Reference Stock for cash or in connection with acquisitions or otherwise or the occurrence of a partial tender or exchange offer for that Reference Stock by the issuer of that Reference Stock or any third party.

If an event other than those described below occurs with respect to a Reference Stock and the CD calculation agent determines that the event has a dilutive or concentrative effect on the theoretical value of that Reference Stock, the CD calculation agent may calculate the corresponding adjustment or series of adjustments to the applicable Stock Adjustment Factor as the CD calculation agent determines in good faith to be appropriate to account for that dilutive or concentrative effect. You will not be entitled to any compensation from us or the CD calculation agent for any loss suffered as a result of any such adjustment or our decision not to make any such adjustment.

For purposes of these adjustments, except as noted below, if an ADS is serving as a Reference Stock, all adjustments to the Stock Adjustment Factor for that Reference Stock will be made as if the applicable Underlying Stock is serving as that Reference Stock. Therefore, for example, if the applicable Underlying Stock is subject to a two-for-one stock split and assuming the Stock Adjustment Factor for the applicable Reference Stock is equal to one, the Stock Adjustment Factor for that Reference Stock would be adjusted to equal two. If a Reference Stock is an ADS, the term “dividend” used in this section, with respect to that Reference Stock, will mean, unless we specify otherwise in the relevant terms supplement, the dividend paid by the issuer of the applicable Underlying Stock, net of any applicable foreign withholding or similar taxes that would be due on dividends paid to a U.S. person that claims and is entitled to a reduction in those taxes under an applicable income tax treaty, if available.

If an ADS is serving as a Reference Stock, no adjustment to the applicable Stock Adjustment Factor, including those described below, will be made (1) if holders of those ADSs are not eligible to participate in any of the transactions described below or (2) to the extent that the CD calculation agent determines in its sole discretion that the issuer or the depositary for those ADSs has adjusted the number of shares of the applicable Underlying Stock represented by each ADS so that the price of that ADS would not be affected by the corporate event in question. However, to the extent that the number of shares of the applicable Underlying Stock represented by each ADS is changed for any other reason, appropriate adjustments to the anti-dilution adjustments described in this disclosure statement (which may include ignoring such provision, if appropriate) will be made to reflect that change.

Notwithstanding anything to the contrary in this disclosure statement, if under the provisions below or in the following “— Reorganization Events” section, the CD calculation agent would make more than one adjustment on the same day, the CD calculation agent in good faith may make adjustments or a series of adjustments that differ from, or that are in addition to, those described below or under the following “— Reorganization Events” section with a view to offsetting, to the extent practical, any change in your economic position as a holder of the CDs that results solely from the applicable event(s). You will not be entitled to any compensation from us or the CD calculation agent for any loss suffered as a result of any such adjustment or our decision not to make any such adjustment.

The CD calculation agent will be solely responsible for the determination and calculation of any adjustment to the Stock Adjustment Factor for a Reference Stock and of any related determinations and calculations with respect to any distributions of stock, other securities or other property or assets, including cash, in connection with any corporate event described in this section and its determinations and calculations will be conclusive absent manifest error.

The CD calculation agent will provide information as to any adjustments to the Stock Adjustment Factor for a Reference Stock as described below upon written request by any holder of the CDs.

#### *Stock Splits and Reverse Stock Splits*

If a Reference Stock is subject to a stock split or reverse stock split, then once that split has become effective, the applicable Stock Adjustment Factor will be adjusted so that the new Stock Adjustment Factor will equal the product of:

- the prior Stock Adjustment Factor, and
- the number of shares that a holder of one share of that Reference Stock before the effective date of the stock split or reverse stock split would have owned immediately following the applicable effective date.

#### *Stock Dividends or Distributions*

If a Reference Stock is subject to (i) a stock dividend, *i.e.*, an issuance of additional shares of that Reference Stock that is given ratably to all or substantially all holders of shares of that Reference Stock or (ii) a distribution of shares of that Reference Stock as a result of the triggering of any provision of the corporate charter of the issuer of that Reference Stock, then, once the dividend or distribution has become effective and the shares of that Reference Stock are trading ex-dividend, the applicable Stock Adjustment Factor will be adjusted so that the new Stock Adjustment Factor will equal the prior Stock Adjustment Factor *plus* the product of:

- the prior Stock Adjustment Factor, and
- the number of additional shares issued in the stock dividend or distribution with respect to one share of that Reference Stock.

Notwithstanding the foregoing, it is expected that the Stock Adjustment Factor of a Reference Stock, that is a non-U.S. equity security with a relevant exchange located outside the United States, will not be adjusted as a result of dividends payable that are in lieu of ordinary cash dividends payable with respect to shares of that Reference Stock. These ordinary dividends may take the form of stock or scrip dividends payable in shares of that Reference Stock as well as other distributions classified as a return of capital.

#### *Non-Cash Dividends or Distributions*

If the issuer of a Reference Stock distributes shares of capital stock, evidences of indebtedness or other assets or property of the issuer of that Reference Stock to all or substantially all holders of shares of that Reference Stock (other than (i) dividends, distributions, rights or warrants referred to under “— Stock Splits and Reverse Stock Splits” or “— Stock Dividends or Distributions” above or “— Issuance of Transferable Rights or Warrants” below and (ii) cash dividends or distributions referred under “— Cash Dividends or Distributions” below), then, once the distribution has become effective and the shares of that Reference Stock are trading ex-dividend, the applicable Stock Adjustment Factor will be adjusted so that the new Stock Adjustment Factor will equal the product of:

- the prior Stock Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of that Reference Stock and the denominator of which is the amount by which the Current Market Price exceeds the Fair Market Value of that distribution.

The “**Current Market Price**” of a Reference Stock means the closing price of one share of that Reference Stock on the trading day immediately preceding the ex-dividend date of the dividend or distribution requiring an adjustment to the applicable Stock Adjustment Factor.

With respect to a Reference Stock, the “**Fair Market Value**” of any distribution means the value of that distribution on the ex-dividend date for that distribution, as determined by the CD calculation agent. If that

distribution consists of property traded on the ex-dividend date on a U.S. national securities exchange or, if the applicable Reference Stock is a non-U.S. equity security or an ADS and that distribution consists of property traded on the ex-dividend date on a non-U.S. securities exchange or market, the Fair Market Value will equal the opening price of that distributed property on that ex-dividend date, as determined by the CD calculation agent.

The “**ex-dividend date**,” with respect to a dividend or other distribution for a Reference Stock, means the first trading day on which transactions in the shares of that Reference Stock trade on the relevant exchange without the right to receive that dividend or other distribution.

Notwithstanding the foregoing, a distribution on a Reference Stock described in clause (a), (d) or (e) of the section entitled “— Reorganization Events” below that also would require an adjustment under this section will not cause an adjustment to the applicable Stock Adjustment Factor and will only be treated as a Reorganization Event (as defined below) pursuant to clause (a), (d) or (e) under the section entitled “— Reorganization Events.” A distribution on a Reference Stock described in the section entitled “— Issuance of Transferable Rights or Warrants” that also would require an adjustment under this section will cause an adjustment only pursuant to the section entitled “— Issuance of Transferable Rights or Warrants.”

#### *Cash Dividends or Distributions*

If the issuer of a Reference Stock pays a dividend or makes a distribution consisting exclusively of cash to all or substantially all holders of shares of that Reference Stock in an aggregate amount that exceeds the Dividend Threshold, then, once the dividend or distribution has become effective and the shares of that Reference Stock are trading ex-dividend, the applicable Stock Adjustment Factor will be adjusted so that the new Stock Adjustment Factor will equal the product of:

- the prior Stock Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of that Reference Stock and the denominator of which is the amount by which the Current Market Price exceeds the aggregate amount in cash per share of that Reference Stock distributed in that cash dividend or distribution.

The “**Dividend Threshold**” of a Reference Stock is equal to 10% of the closing price of one share of that Reference Stock on the trading day immediately preceding the ex-dividend date, unless otherwise specified in the relevant terms supplement.

Notwithstanding the foregoing, it is expected that the Stock Adjustment Factor of a Reference Stock, that is a non-U.S. equity security with a relevant exchange located outside the United States, will not be adjusted (even if cash dividends or distributions exceed the Dividend Threshold) for a cash dividend that the CD calculation agent determines, in its sole discretion, is (1) by its terms or declared intent, declared and paid within the normal dividend policy or historical dividend practice of the issuer of that Reference Stock or (2) a cash payment by the issuer of that Reference Stock that such issuer announces will be an ordinary cash dividend.

#### *Issuance of Transferable Rights or Warrants*

Except as provided below, if the issuer of a Reference Stock issues transferable rights or warrants to all holders of shares of that Reference Stock to subscribe for or purchase that Reference Stock, including new or existing rights to purchase that Reference Stock at an exercise price per share less than the closing price of one share of that Reference Stock on the ex-dividend date, then the applicable Stock Adjustment Factor will be adjusted at or prior to the close (as determined by the CD calculation agent in its sole discretion) on the ex-dividend date for that issuance so that the new Stock Adjustment Factor will equal the product of:

- the prior Stock Adjustment Factor, and
- one *plus* the number of shares of that Reference Stock that can be purchased with the cash value of those warrants or rights distributed on one share of that Reference Stock.

The number of shares that can be purchased will be based on the closing price or the then-applicable trading price of one share of the applicable Reference Stock on the ex-dividend date. The cash value of the warrants or rights, if the warrants or rights are traded on a U.S. national securities exchange, or, if a non-U.S. equity security with a relevant exchange located outside the United States or an ADS is serving as the applicable Reference Stock, will equal the closing price or the then-applicable trading price of one such warrant or right, or, if the warrants or rights are not traded on a U.S. national securities exchange or a non-U.S. securities exchange or market, as applicable, will be determined by the CD calculation agent and will equal the average (mean) of the bid prices obtained from three dealers at approximately 3:00 p.m., New York City time, on the ex-dividend date, *provided* that if only two bid prices are available, then the cash value of those warrants or rights will equal the average (mean) of those bids, and if only one bid is available, then the cash value of those warrants or rights will equal that bid.

The “**ex-dividend date**,” with respect to a transferable right or warrant, means the first trading day on which transactions in the shares of that Reference Stock trade on the relevant exchange without the right to receive that transferable right or warrant.

Notwithstanding the foregoing, if the CD calculation agent determines in good faith that the adjustments in response to the issuance of transferable rights or warrants described above do not achieve an equitable result, the CD calculation agent in good faith may make adjustments or a series of adjustments that differ from, or that are in addition to, those described above with a view to offsetting, to the extent practical, any change in your economic position as a holder of the CDs that results solely from the applicable event. In determining whether or not any adjustment so described achieves an equitable result, the CD calculation agent may consider any adjustment made by the Options Clearing Corporation or any other equity derivatives clearing organization on options contracts on the applicable Reference Stock. You will not be entitled to any compensation from us or the CD calculation agent for any loss suffered as a result of any such adjustment or our decision not to make any such adjustment.

### ***Reorganization Events***

If, on or before the final Determination Date (or, in the case of CDs for which shares of a Reference Stock will be delivered at maturity, on or before the maturity date),

- (a) there occurs any reclassification or change of a Reference Stock, including, without limitation, as a result of the issuance of tracking stock by the issuer of a Reference Stock;
- (b) the issuer of a Reference Stock, or any surviving entity or subsequent surviving entity of the issuer of a Reference Stock (a “**Successor Entity**”), has been subject to a merger, combination or consolidation and is not the surviving entity;
- (c) any statutory exchange of securities of the issuer of a Reference Stock or any Successor Entity with another corporation occurs, other than pursuant to clause (b) above;
- (d) the issuer of a Reference Stock is liquidated or is subject to a proceeding under any applicable bankruptcy, insolvency or other similar law;
- (e) the issuer of a Reference Stock issues to all of its shareholders equity securities of an issuer other than the issuer of that Reference Stock, other than in a transaction described in clauses (b), (c) or (d) above (a “**Spin-Off Event**”); or
- (f) a tender or exchange offer or going-private transaction is commenced for all the outstanding shares of the issuer of a Reference Stock and is consummated and completed in full for all or substantially all of those shares, as determined by the CD calculation agent in its sole discretion (an event in clauses (a) through (f), a “**Reorganization Event**”),

then the closing price and, if applicable, the trading price of one share of that Reference Stock from and including the effective date for that Reorganization Event will be adjusted as set forth below.

If a reorganization event other than those described above occurs with respect to a Reference Stock, the CD calculation agent may calculate the corresponding adjustment or series of adjustments to the closing price and, if

applicable, the trading price of one share of that Reference Stock as the CD calculation agent determines in good faith to be appropriate to account for that reorganization event. In addition, see “Anti-Dilution Adjustments” above for additional information about multiple adjustments on the same day. You will not be entitled to any compensation from us or the CD calculation agent for any loss suffered as a result of any such adjustment or our decision not to make any such adjustment.

If an ADS is serving as a Reference Stock, the determination as to whether a Reorganization Event has occurred with respect to that Reference Stock will be made as if the applicable Underlying Stock were serving as that Reference Stock. In addition, if an ADS is serving as a Reference Stock, no adjustments will be made in response to the Reorganization Event (1) if holders of those ADSs are not eligible to participate in the Reorganization Event or (2) to the extent that the CD calculation agent determines in its sole discretion that the issuer or the depositary for those ADSs has adjusted the assets represented by each ADS so that the price of that ADS would not be affected by the Reorganization Event in question.

If a Reorganization Event with respect to a Reference Stock occurs, the CD calculation agent will be solely responsible for the determination of any Exchange Property, the value of any Exchange Property and the effect of the Reorganization Event on the closing price and, if applicable, the trading price of one share of that Reference Stock, and its determinations and calculations will be conclusive absent manifest error.

The CD calculation agent will provide information as to any adjustments resulting from a Reorganization Event upon written request by any holder of the CDs.

#### *The Exchange Property*

The “**Exchange Property**” with respect to a Reference Stock that is subject to a Reorganization Event, will consist of any shares of that Reference Stock that continue to be held by the holders of that Reference Stock, and any securities, cash or any other assets distributed to the holders of that Reference Stock with respect to one share of that Reference Stock in, or as a result of, that Reorganization Event. No interest will accrue on any Exchange Property.

In the case of a consummated and completed-in-full tender or exchange offer or going-private transaction involving Exchange Property of a particular type, the Exchange Property will be deemed to include the amount of cash or other property paid by the offeror in the tender or exchange offer with respect to the Exchange Property (in an amount determined on the basis of the rate of exchange in that tender or exchange offer or going-private transaction). In the event of a tender or exchange offer, a merger, combination or consolidation or a going-private transaction with respect to Exchange Property in which an offeree may elect to receive cash or other property, the Exchange Property will be deemed to include the kind and amount of cash and other property received by offerees who do not make an election.

With respect to any portion of the Exchange Property that consists of property other than Exchange Traded Securities or cash (such property, “**Liquidation Property**”), that portion of the Exchange Property will be deemed instead to consist of an amount of cash equal to the market value of the Liquidation Property, as determined by the CD calculation agent in its sole discretion, on the date the issuer of that Reference Stock distributed all the Liquidation Property.

“**Exchange Traded Securities**” means securities (including, without limitation, securities of the issuer of the applicable Reference Stock or securities of foreign issuers represented by American depositary receipts) traded on the NYSE, the NYSE MKT LLC or The NASDAQ Stock Market.

#### *The Closing Price and the Trading Price of the Exchange Property*

On any relevant day, the “**closing price**” or the “**trading price**” of the Exchange Property means the product of:

- (a) the sum of:



- (i) the closing price or trading price, respectively, of one share of any Exchange Traded Securities composing the Exchange Property on that day *multiplied* by the quantity of the applicable Exchange Traded Securities received for each share of the applicable Reference Stock; and
  - (ii) the aggregate cash amount of any Exchange Property (other than Exchange Traded Securities), including the aggregate cash amount resulting from the valuation of the Liquidation Property as described above; and
- (b) the Stock Adjustment Factor for the applicable Reference Stock as of the effective date for the Reorganization Event.

Any Exchange Traded Securities composing the Exchange Property will be subject to the anti-dilution adjustment and reorganization-event adjustments including but not limited to those set forth in this disclosure statement as if it were a Reference Stock, and the Stock Adjustment Factor of any Exchange Traded Securities will be set equal to 1.0 on the effective date for the Reorganization Event.

*Adjustment to the Closing Price and the Trading Price of One Share of the Applicable Reference Stock*

If a Reorganization Event with respect to a Reference Stock occurs, then, for purposes of any determination with respect to that Reference Stock on or after the effective date of that Reorganization Event:

- (a) the closing price of one share of that Reference Stock on any relevant day will equal the closing price of the Exchange Property on that day; and
- (b) the trading price of one share of that Reference Stock at any time on any relevant day will equal the trading price of the Exchange Property at that time on that day.

*Delisting of a Reference Stock or Nationalization of a Reference Stock Issuer*

If a non-U.S. equity security serving as a Reference Stock with a relevant exchange located outside of the United States (an “**Original Foreign Reference Stock**”) is no longer listed or admitted to trading on a securities exchange (a “**Delisting Event**”) or if the issuer of an Original Foreign Reference Stock is nationalized (a “**Nationalization Event**”), the CD calculation agent, in its sole discretion without consideration for the interests of investors, will either (A) select a Successor Foreign Reference Stock (as defined below) to that non-U.S. equity security after the close of the principal trading session on the trading day immediately prior to the effective date of the Delisting Event or Nationalization Event, as applicable (the effective date of the Delisting Event or Nationalization Event, as applicable, the “**Change Date**”), in accordance with the following paragraphs (each successor stock as so selected, a “**Successor Foreign Reference Stock**” and each issuer of that Successor Foreign Reference Stock, a “**Successor Foreign Reference Stock Issuer**”) or (B) on and after the Change Date, (i) deem the closing price and, if applicable, the trading price of that Original Foreign Reference Stock on each day to be the closing price of that Original Foreign Reference Stock on the trading day immediately prior to the Change Date and (ii) deem the Stock Adjustment Factor of that Original Foreign Reference Stock on each day to be the Stock Adjustment Factor of that Original Foreign Reference Stock on the trading day immediately prior to the Change Date.

Upon the selection of any Successor Foreign Reference Stock by the CD calculation agent pursuant to clause (A) of the preceding paragraph, on and after the Change Date, references in this disclosure statement or the relevant terms supplement to the applicable “Reference Stock” will no longer refer to the Original Foreign Reference Stock and will be deemed instead to refer to that Successor Foreign Reference Stock for all purposes, and references in this disclosure statement or the relevant terms supplement to “issuer” of the Original Foreign Reference Stock will be deemed to be to the applicable Successor Foreign Reference Stock Issuer. Upon the selection of any Successor Foreign Reference Stock by the CD calculation agent pursuant to clause (A) of the preceding paragraph, on and after the Change Date, (i) the initial value (or strike value, if applicable) for that Successor Foreign Reference Stock will be equal to the initial value (or strike value, if applicable) of the Original Foreign Reference Stock as of the trading day immediately preceding the Change Date and (ii) the Stock Adjustment Factor for that Successor Foreign Reference Stock will be an amount as determined by the CD calculation agent in good faith as of the Change Date,

taking into account, among other things, the closing price of the Original Foreign Reference Stock on the trading day immediately preceding the Change Date, subject to adjustment for certain corporate events related to that Successor Foreign Reference Stock in accordance with “— Anti-Dilution Adjustments.”

The “**Successor Foreign Reference Stock**” with respect to the Reference Stock will be the common stock of a company organized in, or with its principal executive office located in, the country in which the issuer of the Original Foreign Reference Stock is organized or has its principal executive office, selected by the CD calculation agent from among the common stocks of three companies then listed on a securities exchange that are not the Reference Stock, with the three largest market capitalizations within the same industry as the issuer of the Original Foreign Reference Stock that also have an equity security that is listed and traded on a national securities exchange in the United States that, in the sole discretion of the CD calculation agent, is the most comparable to the Original Foreign Reference Stock (prior to the Change Date), taking into account such factors as the CD calculation agent deems relevant, including, without limitation, dividend history and stock price volatility; *provided, however*, that a Successor Foreign Reference Stock will not be any stock that is subject to a trading restriction under the trading restriction policies of the Bank or any of its affiliates that would materially limit the ability of the Bank or any of its affiliates to hedge the CDs with respect to that stock.

Following a Delisting Event or Nationalization Event, as applicable, in which a Successor Foreign Reference Stock is selected, the Stock Adjustment Factor of the Successor Foreign Reference Stock will be subject to adjustment as described above under “— Anti-Dilution Adjustments.”

The CD calculation agent will provide information as to any Successor Foreign Reference Stock (including its initial value (or strike value, if applicable)) upon written request by any CD holder.

#### ***Currency Succession Events for a Reference Stock that is a Non-U.S. Equity Security***

With respect to a non-U.S. equity security that is serving as a Reference Stock, a “**Currency Succession Event**” will occur if, on any relevant day following the pricing date, there is a change in the currency in which the closing price of one share of that Reference Stock is expressed due to the occurrence of either of the following events:

- the currency in which the closing price of one share of that Reference Stock was originally expressed (the “**Reference Stock Currency**”) is lawfully eliminated and replaced with, converted into, redenominated as, or exchanged for, another currency; or
- the country or monetary region the lawful currency of which is the Reference Stock Currency divides into two or more countries or monetary regions, as applicable, each with a different lawful currency immediately following that event.

Under these circumstances, we refer to the currency in which the closing price of one share of that Reference Stock is expressed immediately after the Currency Succession Event as the “**Successor Currency**.”

Upon the occurrence of a Currency Succession Event, the closing price of one share of any Reference Stock affected by the Currency Succession Event will be adjusted as of the effective date of that Currency Succession Event (the “**Succession Effective Date**”) to equal:

- the closing price of one share of that Reference Stock, determined as set forth under “— Price of One Share of a Reference Stock” above; *divided by*
- a ratio of the number of units of the Successor Currency per unit of the Reference Stock Currency, which ratio will be calculated on the basis of the exchange rate set forth by the relevant country or monetary region of the Reference Stock Currency for converting the Reference Stock Currency into the Successor Currency on the Succession Effective Date, as determined by the CD calculation agent. In the event that the exchange rate is not publicly announced by the relevant country or monetary region, the CD calculation agent will determine the ratio in good faith and in a commercially reasonable manner.

### *Delisting of ADSs or Termination of ADS Facility*

If an ADS serving as a Reference Stock (an “**Original Reference Stock**”) is no longer listed or admitted to trading on a U.S. securities exchange registered under the Exchange Act, or included in the OTC Bulletin Board, or if the ADS facility between the issuer of the applicable Underlying Stock and the ADS depository is terminated for any reason, then, on and after the date that ADS is no longer so listed or admitted to trading or the date of that termination, as applicable (the “**ADS Change Date**”), the CD calculation agent, in its sole discretion without consideration for the interests of investors, will either (A) select a Successor Reference Stock (as defined below) to that ADS after the close of the principal trading session on the trading day immediately prior to the ADS Change Date in accordance with the following paragraphs (each successor stock as so selected, a “**Successor Reference Stock**” and each successor stock issuer, a “**Successor Reference Stock Issuer**”) or (B) select the applicable Underlying Stock to be that Reference Stock.

Upon the selection of any Successor Reference Stock by the CD calculation agent pursuant to clause (A) of the preceding paragraph, on and after the ADS Change Date, references in this disclosure statement or the relevant terms supplement to the applicable “Reference Stock” will no longer refer to the Original Reference Stock and will be deemed instead to refer to that Successor Reference Stock for all purposes, and references in this disclosure statement or the relevant terms supplement to “issuer” of the Original Reference Stock will be deemed to be to the applicable Successor Reference Stock Issuer. Upon the selection of any Successor Reference Stock by the CD calculation agent pursuant to clause (A) of the preceding paragraph, on and after the ADS Change Date, (i) the initial value (or strike value, if applicable) for that Successor Reference Stock will be equal to the initial value (or strike value, if applicable) of the Original Reference Stock as of the trading day immediately preceding the ADS Change Date and (ii) the Stock Adjustment Factor for that Successor Reference Stock will be an amount as determined by the CD calculation agent in good faith as of the ADS Change Date, taking into account, among other things, the closing price of the Original Reference Stock on the trading day immediately preceding the ADS Change Date, subject to adjustment for certain corporate events related to that Successor Reference Stock in accordance with “— Anti-Dilution Adjustments.”

The “**Successor Reference Stock**” with respect to an ADS will be the ADS of a company organized in, or with its principal executive office located in, the country in which the issuer of the Original Reference Stock is organized, or has its principal executive office, selected by the CD calculation agent from among the ADSs of three companies then registered to trade on the NYSE or The NASDAQ Stock Market with the same primary Standard Industrial Classification Code (“**SIC Code**”) as that Original Reference Stock that, in the sole discretion of the CD calculation agent, are the most comparable to that Original Reference Stock, taking into account such factors as the CD calculation agent deems relevant, including, without limitation, market capitalization, dividend history and stock price volatility; *provided, however*, that a Successor Reference Stock will not be any ADS that is (or the Underlying Stock for which is) subject to a trading restriction under the trading restriction policies of the Bank or any of its affiliates that would materially limit the ability of the Bank or any of its affiliates to hedge the CDs with respect to the ADS (a “**Hedging Restriction**”); *provided further* that if a Successor Reference Stock cannot be identified as set forth above for which a Hedging Restriction does not exist, that Successor Reference Stock will be selected by the CD calculation agent and will be the ADS of a company that (i) is organized in, or with its principal executive office located in, the country in which the issuer of that Original Reference Stock is organized or has its principal executive office, (ii) is then registered to trade on the NYSE or The NASDAQ Stock Market, (iii) in the sole discretion of the CD calculation agent, is the most comparable to that Original Reference Stock, taking into account such factors as the CD calculation agent deems relevant, including, without limitation, market capitalization, dividend history and stock price volatility, (iv) is within the same Division and Major Group classification (as defined by the Office of Management and Budget) as the primary SIC Code for that Original Reference Stock and (v) is not subject to a Hedging Restriction. Notwithstanding the foregoing, if a Successor Reference Stock cannot be identified in the country in which the issuer of that Original Reference Stock is organized or has its principal executive office, as set forth above, that Successor Reference Stock will be selected by the CD calculation agent and will be a common stock of a company that is then registered to trade on the NYSE or The NASDAQ Stock Market with the same primary SIC Code as that Original Reference Stock that, in the sole discretion of the CD calculation agent, is the most comparable to that Original Reference Stock, taking into account such factors as the CD calculation agent deems relevant, including, without limitation, market capitalization, dividend history and stock price volatility and that is not subject to a Hedging Restriction.

Following the selection of a Successor Reference Stock, the Stock Adjustment Factor of the Successor Reference Stock will be subject to adjustment as described above under “— Anti-Dilution Adjustments.”

The CD calculation agent will provide information as to any Successor Reference Stock (including its initial value (or strike value, if applicable)) upon written request by any CD holder.

If the CD calculation agent selects the applicable Underlying Stock to be a Reference Stock pursuant to clause (B) of the first paragraph under “— Delisting of ADSs or Termination of ADS Facility” above, the Stock Adjustment Factor for that Reference Stock will thereafter equal the last value of the Stock Adjustment Factor for the ADS *multiplied* by the number of shares of the applicable Underlying Stock represented by a single ADS, subject to further adjustments as described under “— Anti-Dilution Adjustments.” On and after the ADS Change Date, the closing price of the applicable Reference Stock on any relevant day and, if applicable, the trading price at any time on any relevant day will be expressed in U.S. dollars by converting the closing price into U.S. dollars using the applicable exchange rate as described below.

On any date of determination, the applicable exchange rate will be the spot rate of the local currency of the applicable Underlying Stock relative to the U.S. dollar as reported by Reuters Group PLC (“**Reuters**”) on the relevant page for that rate at approximately the closing time of the relevant exchange for the applicable Underlying Stock on that day. However, (1) if that rate is not displayed on the relevant Reuters page on the date of determination, the applicable exchange rate on that day will equal an average (mean) of the bid quotations in the City of New York received by the CD calculation agent at approximately 11:00 a.m., New York City time, on the business day immediately following the date of determination, from three recognized foreign exchange dealers (*provided* that each dealer commits to execute a contract at its applicable bid quotation) or, (2) if the CD calculation agent is unable to obtain three bid quotations, the average of the bid quotations obtained from two recognized foreign exchange dealers or, (3) if the CD calculation agent is able to obtain a bid quotation from only one recognized foreign exchange dealer, that bid quotation, in each case for the purchase of the applicable non-U.S. currency for U.S. dollars in the aggregate principal amount of the CDs for settlement on the third business day following the date of determination. If the CD calculation agent is unable to obtain at least one bid quotation, the CD calculation agent will determine the applicable exchange rate in its sole discretion.

## **Indices**

If the CDs are linked to any Index, a separate underlying supplement or the relevant terms supplement will provide additional information relating to that Index. Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, we will derive all information regarding any Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information, without independent verification.

### ***Level of an Index***

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the “**closing level**” of an Index or any relevant successor index (as defined under “— Discontinuation of an Index; Alteration of Method of Calculation” below) on any relevant day will equal the official closing level of that Index or successor index, as applicable, published with respect to that day. In certain circumstances, the closing level of an Index or any relevant successor index will be based on the alternative calculation of that Index described under “General Terms of the CDs — Postponement of a Determination Date” above or “— Discontinuation of an Index; Alteration of Method of Calculation” below.

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the “**intraday level**” of an Index or any relevant successor index at any time on any relevant day (including at the open and close of trading for that Index or successor index, as applicable) will equal the most recently reported level at that time for that Index or successor index, as applicable, as published on the applicable page of Bloomberg, L.P., which we refer to as “**Bloomberg**,” or any successor page, for that index or successor index, as applicable. In certain circumstances, the intraday level of an Index or any relevant successor index will be based on the alternative calculation of that Index described under “— Discontinuation of an Index; Alteration of Method of Calculation” below.

### ***Market Disruption Events for an Equity Index***

With respect to an Equity Index (or any relevant successor index), a “**market disruption event**,” unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of that Equity Index (or that successor index) on the relevant exchanges for those securities for more than two hours of trading during, or during the one-hour period preceding the close of, the principal trading session on that relevant exchange;
- a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for equity securities then constituting 20% or more of the level of that Equity Index (or that successor index) during the one-hour period preceding the close of the principal trading session on that relevant exchange are materially inaccurate;
- the occurrence or existence of a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to that Equity Index (or that successor index), if available, for more than two hours of trading during, or during the one-hour period preceding the close of, the principal trading session on that exchange or market; or
- a decision to permanently discontinue trading in those related futures or options contracts,

in each case, as determined by the CD calculation agent in its sole discretion; and

- a determination by the CD calculation agent in its sole discretion that the applicable event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

For purposes of determining whether a market disruption event with respect to an Equity Index (or any relevant successor index) exists at any time, if trading in a security included in that Equity Index (or that successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of that Equity Index (or that successor index) will be based on a comparison of:

- the portion of the level of that Equity Index (or that successor index) attributable to that security relative to
- the overall level of that Equity Index (or that successor index),

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to an Equity Index (or any relevant successor index) has occurred, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or the primary exchange or market for trading in futures or options contracts related to that Equity Index (or that successor index);
- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the CD calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- a suspension of trading in futures or options contracts on that Equity Index (or that successor index) by the primary exchange or market for trading in those contracts, if available, by reason of:
  - a price change exceeding limits set by that exchange or market,
  - an imbalance of orders relating to those contracts or

- a disparity in bid and ask quotes relating to those contracts

will, in each case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to that Equity Index (or that successor index); and

- a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary exchange or market on which futures or options contracts related to that Equity Index (or that successor index) are traded will not include any time when that exchange or market is itself closed for trading under ordinary circumstances.

#### ***Market Disruption Events for a Bond Index***

With respect to a Bond Index (or any relevant successor index), a “**market disruption event**,” unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of securities then constituting 10% or more of the level of that Bond Index (or that successor index) in the market generally for those securities during the principal trading hours of those securities;
- a breakdown or failure in the price and trade reporting systems of the relevant market that results in a failure to determine the price of the securities then constituting 10% or more of the level of that Bond Index (or that successor index) during the principal trading hours of those securities; or
- the closure (including the early closure) of the relevant market in securities then constituting 10% or more of the level of that Bond Index (or that successor index),

in each case, as determined by the CD calculation agent in its sole discretion; and

- a determination by the CD calculation agent in its sole discretion that the applicable event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

For purposes of determining whether a market disruption event with respect to a Bond Index (or any relevant successor index) exists at any time, if trading in a security included in that Bond Index (or that successor index) is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of that Bond Index (or that successor index) will be based on a comparison of:

- the portion of the level of that Bond Index (or that successor index) attributable to that security relative to
- the overall level of that Bond Index (or that successor index),

in each case immediately before that suspension or limitation.

#### ***Market Disruption Events for a Commodity Index***

With respect to a Commodity Index (or any relevant successor index), a “**market disruption event**,” unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, means:

- any suspension of or limitation imposed on trading in any Relevant Index Contract on the relevant exchange or any other event that disrupts or impairs the ability of market participants in general to affect transactions in, or obtain market values for, any Relevant Index Contract on the relevant exchange, in each case which the CD calculation agent determines is material;
- all trading in any Relevant Index Contract is suspended for the entire day;
- all trading in any Relevant Index Contract is suspended (which term, for the avoidance of doubt, will not include, for purposes of this bullet point, a Relevant Index Contract being bid or offered at the limit price)

subsequent to the opening of trading on that day, and trading does not recommence at least ten minutes prior to the actual closing time of the regular trading session of that Relevant Index Contract on that day; or

- if the relevant exchange establishes limits on the range within which the price of any Relevant Index Contract may fluctuate, the official settlement price of any Relevant Index Contract is at the upper or lower limit of that range on that day,

in each case as determined by the CD calculation agent in its sole discretion; and

- a determination by the CD calculation agent in its sole discretion that the applicable event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

#### ***Discontinuation of an Index; Alteration of Method of Calculation***

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, if the sponsor of an Index (an “**Index Sponsor**”) discontinues publication of that Index and that Index Sponsor or another entity publishes a successor or substitute index that the CD calculation agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to in this disclosure statement as a “**successor Index**”), then (a) the closing level of that Index on any Determination Date, or any other relevant date on which the closing level of that Index is to be determined, will be determined by reference to the level of that successor index published with respect to that day and (b) the intraday level, if applicable, of that Index at any time on any Determination Date, or any other relevant date on which the intraday level of that Index is to be determined, will be determined by reference to the level of that successor index as most recently reported by Bloomberg at that time.

Upon any selection by the CD calculation agent of a successor index, the CD calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the CDs.

Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, if the Index Sponsor for an Index discontinues publication of that Index prior to, and that discontinuation is continuing on, a Determination Date or any other relevant date on which the closing level of that Index is to be determined, and the CD calculation agent determines, in its sole discretion, that no successor index for that Index is available at that time, or the CD calculation agent has previously selected a successor index for that Index and publication of that successor index is discontinued prior to, and that discontinuation is continuing on, that Determination Date or other relevant date, then (a) the CD calculation agent will determine the closing level of that Index for that Determination Date or that other relevant date on that date and (b) the intraday level of that Index, if applicable, at any time on any relevant day will be deemed to equal the closing level of that Index on that day, as determined by the CD calculation agent. Unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, the closing level of that Index will be computed by the CD calculation agent:

- (a) with respect to an Equity Index, in accordance with the formula for and method of calculating that Index or successor index, as applicable, last in effect prior to that discontinuation using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the CD calculation agent’s good faith estimate of the closing price that would have prevailed but for that suspension or limitation) at the close of the principal trading session on that date of each security most recently composing that Index or successor index, as applicable;
- (b) with respect to a Bond Index, in good faith and in a commercially reasonable manner; or
- (c) with respect to a Commodity Index, in accordance with the formula for and method of calculating that Index or successor index, as applicable, last in effect prior to that discontinuation using the official settlement price(s) (or, if trading in the relevant futures contract(s) has been materially suspended or materially limited, the CD calculation agent’s good faith estimate of the applicable settlement price(s) that would have prevailed but for that suspension or limitation) at the close of the principal trading session on that date of each futures contract most recently composing that Index or successor index, as applicable, as

well as any futures contract required to roll any expiring futures contract in accordance with the method of calculating that Index or successor index, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of an Index or its successor index, as applicable, may adversely affect the value of the CDs.

If at any time the method of calculating an Index or a successor index, or the level thereof, is changed in a material respect, or if an Index or a successor index is in any other way modified so that it does not, in the opinion of the CD calculation agent, fairly represent the level of that Index or successor index, as applicable, had those changes or modifications not been made, then the CD calculation agent will, at the close of business in the City of New York on each date on which the closing level or intraday level, if applicable, of that Index or successor index, as applicable, is to be determined, make such calculations and adjustments as, in the good faith judgment of the CD calculation agent, may be necessary in order to arrive at a level of an index comparable to that Index or successor index, as the case may be, as if those changes or modifications had not been made, and the CD calculation agent will calculate the closing level or intraday level, as applicable, of that Index or successor index, as applicable, with reference to that Index or successor index, as adjusted. Accordingly, if the method of calculating an Index or a successor index is modified so that the level of that Index or successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in that Index or successor index), then the CD calculation agent will adjust its calculation of that Index or successor index, as applicable, in order to arrive at a level of that Index or successor index, as applicable, as if there had been no modification (*e.g.*, as if the split had not occurred).

## **Funds**

If the CDs are linked to any Fund, a separate underlying supplement or the relevant terms supplement will provide additional information relating to that Fund.

Registered investment companies are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, DC 20549, and copies of those materials can be obtained from the Public Reference Section of the SEC, 100 F Street, NE, Washington, DC 20549, at prescribed rates. In addition, information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC's website is <http://www.sec.gov>. Information regarding any Fund may also be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

**This disclosure statement and the relevant terms supplement relate only to the CDs offered thereby and do not relate to any Fund. All disclosures contained in the relevant terms supplement regarding any Fund will be derived from publicly available documents and other publicly available information, without independent verification. We have not participated, and will not participate, in the preparation of those documents, and we have not made, and will not make, any due diligence inquiry with respect to any Fund in connection with the offering of the CDs. We do not make any representation that those publicly available documents or any other publicly available information regarding any Fund is accurate or complete, and we are not responsible for public disclosure of information by any Fund, whether contained in filings with the SEC or otherwise. We also cannot give any assurance that all events occurring prior to the date of the relevant terms supplement (including events that would affect the accuracy or completeness of the publicly available documents of any Fund) that would affect the value of any Fund will have been publicly disclosed. Subsequent disclosure of any of these events or the disclosure of, or failure to disclose, material future events concerning any Fund could affect the market value of the CD or any payment on the CDs. Any prospective purchaser of the CDs should undertake an independent investigation of any Fund as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.**

### *Price of One Share of a Fund*

Unless otherwise specified in the relevant terms supplement, the “**closing price**” of one share of the Fund or any relevant successor fund (as defined under “— Discontinuation of a Fund; Alternate Calculation of Closing Price and Trading Price”) on any relevant day means:



- if that Fund (or that successor fund) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way (or, in the case of The NASDAQ Stock Market, the official closing price) of the principal trading session on that day on the principal U.S. securities exchange registered under the Exchange Act, on which that Fund (or that successor fund) is listed or admitted to trading;
- if that Fund (or that successor fund) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board, the last reported sale price of the principal trading session on the OTC Bulletin Board on that day; or
- if, because of a market disruption event or otherwise, the last reported sale price or official closing price, as applicable, for that Fund (or that successor fund) is not available pursuant to the preceding bullet points, the mean, as determined by the CD calculation agent, of the bid prices for the shares of that Fund (or that successor fund) obtained from as many recognized dealers in that Fund (or that successor fund), but not exceeding three, as will make those bid prices available to the CD calculation agent. Bids of any of our affiliates may be included in the calculation of the mean, but only to the extent that any of those bids is not the highest or the lowest of the bids obtained,

in each case *multiplied* by the then-current Share Adjustment Factor, subject to the provisions of “General Terms of the CDs — Postponement of a Determination Date” above and “— Discontinuation of a Fund; Alternate Calculation of Closing Price and Trading Price” below.

Unless otherwise specified in the relevant terms supplement, the “**trading price**” of one share of a Fund or any relevant successor fund at any time on any relevant day means:

- if that Fund (or that successor fund) is listed or admitted to trading on a national securities exchange, the most recently reported sale price, regular way, at that time during the principal trading session on that day on the principal U.S. securities exchange registered under the Exchange Act, on which that Fund (or that successor fund) is listed or admitted to trading; or
- if that Fund (or that successor fund) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board, the most recently reported sale price at that time during the principal trading session on the OTC Bulletin Board on that day,

in each case *multiplied* by the then-current Share Adjustment Factor, subject to the provisions of “—Discontinuation of a Fund; Alternate Calculation of Closing Price and Trading Price” below.

Unless otherwise specified in the relevant terms supplement, with respect to a Fund, the “**Share Adjustment Factor**” will be set initially at 1.0, subject to adjustment upon the occurrence of certain events affecting that Fund. See “— Anti-Dilution Adjustments” below.

#### ***Market Disruption Events for a Fund***

With respect to a Fund (or any relevant successor fund), a “**market disruption event**,” unless otherwise specified in the relevant terms supplement or any accompanying underlying supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of the shares of that Fund (or that successor fund) on the relevant exchange for the shares of that Fund (or that successor fund) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on that relevant exchange;
- a breakdown or failure in the price and trade reporting systems of the relevant exchange for the shares of that Fund (or that successor fund) as a result of which the reported trading prices for the shares of that Fund (or that successor fund) during the last one-half hour preceding the close of the principal trading session on that relevant exchange are materially inaccurate;
- if applicable, the occurrence or existence of a suspension, absence or material limitation of trading of securities, commodities, futures contracts or other assets or market measures then constituting 20% or more

of the level of the applicable Underlying Index on the relevant exchanges for those securities, commodities, futures contracts or other assets or market measures for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on that relevant exchange; or

- the occurrence or existence of a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to the applicable Underlying Index, if any, or shares of that Fund (or that successor fund), if available, for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on that exchange or market,

in each case, as determined by the CD calculation agent in its sole discretion; and

- a determination by the CD calculation agent in its sole discretion that the applicable event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

For purposes of determining whether a market disruption event with respect to a Fund (or any relevant successor fund) exists at any time, if trading in a security, commodity, futures contract or other asset or market measure included in the applicable Underlying Index, if any, is materially suspended or materially limited at that time, then the relevant percentage contribution of that security, commodity, futures contract or other asset or market measure to the level of the applicable Underlying Index, if any, will be based on a comparison of:

- the portion of the level of the applicable Underlying Index, if any, attributable to that security, commodity, futures contract or other asset or market measure relative to
- the overall level of the applicable Underlying Index, if any,

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to a Fund (or any relevant successor fund) has occurred, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or the primary exchange or market for trading in futures or options contracts related to the shares of that Fund (or that successor fund);
- a decision to permanently discontinue trading in the relevant futures or options contract or exchange-traded fund will not constitute a market disruption event;
- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the CD calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- a suspension of trading in futures or options contracts on the applicable Underlying Index, if any, or shares of that Fund (or that successor fund) by the primary exchange or market for trading in those contracts, if available, by reason of:
  - a price change exceeding limits set by that exchange or market,
  - an imbalance of orders relating to those contracts or
  - a disparity in bid and ask quotes relating to those contracts

will, in each case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to the applicable Underlying Index, if any, or the shares of that Fund (or that successor fund); and

- a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary exchange or market on which futures or options contracts related to the applicable Underlying Index, if any, or the shares of that Fund (or that successor fund) are traded will not include any time when that exchange or market is itself closed for trading under ordinary circumstances.

### *Anti-Dilution Adjustments*

The Share Adjustment Factor for a Fund (or any relevant successor fund) is subject to adjustment by the CD calculation agent as a result of the anti-dilution adjustments described in this section.

Unless otherwise specified below, no adjustments to the Share Adjustment Factor for a Fund (or any relevant successor fund) will be required unless the Share Adjustment Factor adjustment would require a change of at least 0.1% in the applicable Share Adjustment Factor then in effect. The applicable Share Adjustment Factor resulting from any of the adjustments specified in this section will be rounded to the nearest ten-thousandth with five one hundred-thousandths being rounded upward. The CD calculation agent will not be required to make any adjustments to the Share Adjustment Factor for a Fund (or any relevant successor fund) after the close of business on the business day immediately preceding the maturity date.

No adjustments to the Share Adjustment Factor for a Fund (or any relevant successor fund) will be required other than those specified below. The required adjustments specified in this section do not cover all events that could affect the closing price of one share of a Fund (or any relevant successor fund) on any relevant day during the term of the CDs.

The CD calculation agent will be solely responsible for the determination and calculation of any adjustments to the Share Adjustment Factor for a Fund (or any relevant successor fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The CD calculation agent will provide information as to any adjustments to the Share Adjustment Factor for a Fund (or any relevant successor fund) upon written request by any holder of the CDs.

### *Share Splits and Reverse Share Splits*

If the shares of a Fund (or any relevant successor fund) are subject to a share split or reverse share split, then once that split has become effective, the applicable Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- the number of shares that a holder of one share of that Fund (or that successor fund) before the effective date of the share split or reverse share split would have owned immediately following the applicable effective date.

### *Share Dividends or Distributions*

If a Fund (or any relevant successor fund) is subject to (i) a share dividend, *i.e.*, an issuance of additional shares of that Fund (or that successor fund) that is given ratably to all or substantially all holders of shares of that Fund (or that successor fund) or (ii) a distribution of shares of that Fund (or that successor fund) as a result of the triggering of any provision of the corporate charter of that Fund (or that successor fund), then, once the dividend or distribution has become effective and the shares of that Fund (or that successor fund) are trading ex-dividend, the applicable Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the prior Share Adjustment Factor *plus* the product of:

- the prior Share Adjustment Factor, and
- the number of additional shares issued in the share dividend or distribution with respect to one share of that Fund (or that successor fund).

*Non-Cash Dividends or Distributions*

If a Fund (or any relevant successor fund) distributes shares of capital stock, evidences of indebtedness or other assets or property of that Fund (or that successor fund) to all or substantially all holders of shares of that Fund (or that successor fund) (other than (i) share dividends or distributions referred to under “— Share Splits and Reverse Share Splits” or “— Share Dividends or Distributions” above and (ii) cash dividends referred to under “— Cash Dividends or Distributions” below), then, once the distribution has become effective and the shares of that Fund (or that successor fund) are trading ex-dividend, the applicable Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of that Fund (or that successor fund) and the denominator of which is the amount by which the Current Market Price exceeds the Fair Market Value of that distribution.

The “**Current Market Price**” of a Fund (or any relevant successor fund) means the closing price of one share of that Fund (or that successor fund) on the trading day immediately preceding the ex-dividend date of the dividend or distribution requiring an adjustment to the applicable Share Adjustment Factor.

With respect to a Fund, the “**Fair Market Value**” of any distribution means the value of that distribution on the ex-dividend date for that distribution, as determined by the CD calculation agent. If that distribution consists of property traded on the ex-dividend date on a U.S. national securities exchange, the Fair Market Value will equal the opening price of the distributed property on that ex-dividend date.

The “**ex-dividend date**,” with respect to a dividend or other distribution for a Fund (or any relevant successor fund), means the first trading day on which transactions in the shares of that Fund (or that successor fund) trade on the relevant exchange without the right to receive that dividend or other distribution.

*Cash Dividends or Distributions*

If a Fund (or any relevant successor fund) pays a dividend or makes a distribution consisting exclusively of cash to all or substantially all holders of shares of that Fund (or that successor fund) in an aggregate amount that exceeds the Dividend Threshold, then, once the dividend or distribution has become effective and the shares of that Fund (or that successor fund) are trading ex-dividend, the applicable Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of that Fund (or that successor fund) and the denominator of which is the amount by which the Current Market Price exceeds the aggregate amount in cash per share of that Fund (or that successor fund) distributed in that cash dividend or distribution.

The “**Dividend Threshold**” of a Fund (or any relevant successor fund) is equal to 10% of the closing price of one share of that Fund (or that successor fund) on the trading day immediately preceding the ex-dividend date, unless otherwise specified in the relevant terms supplement.

The “**dividend period**” of a Fund (or any relevant successor fund) means any period during the term of the CDs for which dividends are paid on a regular and consistent basis to shareholders of that Fund (or that successor fund).

### *Discontinuation of a Fund; Alternate Calculation of Closing Price and Trading Price*

Unless otherwise specified in the relevant terms supplement, if a Fund (or a successor fund (as defined in this disclosure statement)) is delisted from the relevant exchange for that Fund (or that successor fund), liquidated or otherwise terminated, the CD calculation agent will substitute an exchange-traded fund that the CD calculation agent determines, in its sole discretion, to be comparable to the discontinued Fund (or that successor fund) (such substitute fund being referred to in this disclosure statement as a “**successor fund**”). If a Fund (or a successor fund) is delisted, liquidated or otherwise terminated and the CD calculation agent determines that no successor fund is available, then (a) the CD calculation agent will, in its sole discretion, calculate the appropriate closing price of one share of that Fund by a computation methodology that the CD calculation agent determines will as closely as reasonably possible replicate that Fund and (b) the trading price, if applicable, of that Fund at any time on any relevant day will be deemed to equal the closing price on that day, as determined by the CD calculation agent. If a successor fund is selected or if the CD calculation agent calculates a closing price by a computation methodology that the CD calculation agent determines will as closely as reasonably possible replicate that Fund, that successor fund or closing price will be substituted for that Fund (or that successor fund) for all purposes of the CDs.

Upon any selection by the CD calculation agent of a successor fund, the CD calculation agent will cause written notice thereof to be promptly furnished to us and to DTC.

Unless otherwise specified in the relevant terms supplement, if at any time, a Fund (or a successor fund) or an Underlying Index, if applicable, is changed in a material respect, or a Fund (or a successor fund) in any other way is modified so that it does not, in the opinion of the CD calculation agent, fairly represent the price of the shares of that Fund (or that successor fund) had those changes or modifications not been made, then the CD calculation agent will, at the close of business in the City of New York on each date on which the closing price of one share of that Fund (or that successor fund) is to be determined, make such calculations and adjustments as, in the good faith judgment of the CD calculation agent, may be necessary in order to arrive at a closing price of one share of an exchange-traded fund comparable to that Fund (or that successor fund) as if those changes or modifications had not been made, and calculate the closing price with reference to that Fund (or that successor fund), as adjusted. The CD calculation agent may also determine that no adjustment is required by the modification of the method of calculation.

The CD calculation agent will be solely responsible for the method of calculating the closing price of one share of a Fund (or any successor fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The CD calculation agent will provide information as to the method of calculating the closing price of the shares of a Fund upon written request by any holder of the CDs.

## EVIDENCE OF THE CDs

The CDs will be evidenced by one or more master certificates issued by us, each representing a number of individual CDs. These master certificates will be held by or on behalf of DTC, a sub-custodian which is in the business of performing such custodial services. No evidence of ownership, such as a passbook or a certificate, will be provided to you. Your broker, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation (the “**Confirmation**”) of your purchase. The terms supplement will set forth the terms applicable to the CDs. The Confirmation will also state the original principal amount of your CD, from which you can determine how much premium, if any, you paid for the CD. You should retain the Confirmation and the account statement(s) for your records. Because you will not be provided with a certificate evidencing your CD, the purchase of a CD is not recommended for persons who wish to take physical possession of a certificate.

Payments on the CDs will be remitted by us to DTC when due. Upon payment in full of such amounts to DTC, we will be discharged from any further obligation with regard to such payments. Such payments will be credited through DTC’s procedures to participant firms and thereafter will be remitted to your broker, so long as such broker acts as your nominee, authorized representative, agent or custodian, and credited to your account with such broker.

Each CD constitutes a direct obligation of us and is not, either directly or indirectly, an obligation of any broker. You will have the ability to enforce your rights in a CD directly against us. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by us.

If you choose to remove your broker as your agent with respect to your CD, you may (i) transfer your CD to another agent; *provided* that the agent is a member of DTC (most major brokerage firms are members; many FDIC-insured depositories are not) or (ii) request that your ownership of the CD be evidenced directly on the books of the Bank, subject to applicable law and our terms and conditions, including those related to the manner of evidencing CD ownership.

## WHERE YOU CAN FIND OUT MORE ABOUT US

We hereby incorporate the following documents, which have been filed previously (or may be filed in the future) with the SEC, into this disclosure statement and we encourage you to review them. SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document filed with the SEC at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

Because we are incorporating by reference future filings with the SEC, this disclosure statement is continually updated and those future filings may modify or supersede some of the information included or incorporated in this disclosure statement. This disclosure statement incorporates by reference the documents below and any future filings (other than, in each case, those documents or the portions of those documents not deemed to be filed) made by JPMorgan Chase & Co. ("**JPMorgan Chase**" or the "**Firm**"), which is the parent company of the Bank, with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until we complete our offering of the CDs or, if later, the date on which any of our affiliates cease offering and selling the CDs:

- the annual report of JPMorgan Chase on Form 10-K for the year ended December 31, 2013 (filed on February 20, 2014);
- the quarterly reports of JPMorgan Chase on Form 10-Q for the quarters ended March 31, 2014 (filed on May 2, 2014), June 30, 2014 (filed on August 4, 2014) and September 30, 2014 (filed on November 3, 2014); and
- the current reports of JPMorgan Chase on Form 8-K filed on January 3, 2014, January 7, 2014, January 14, 2014 (but only with respect to the exhibits included in the report furnished under Item 2.02), January 22, 2014, January 24, 2014, January 28, 2014, January 30, 2014, February 5, 2014, February 6, 2014, March 5, 2014, March 10, 2014, March 14, 2014, March 26, 2014, April 11, 2014 (but only with respect to the exhibits included in the report furnished under Item 2.02), May 13, 2014, May 22, 2014, June 9, 2014, June 23, 2014, July 1, 2014, July 2, 2014, July 15, 2014 (but only with respect to the exhibits included in the report furnished under Item 2.02), September 10, 2014, September 19, 2014, September 23, 2014, October 2, 2014 (but only with respect to the report filed pursuant to Item 8.01), October 14, 2014 (but only with respect to the exhibits included in the report furnished under Item 2.02), October 22, 2014, November 12, 2014, December 5, 2014, December 9, 2014, January 2, 2015, January 14, 2015 (but only with respect to the exhibits included in the report furnished under Item 2.02) and January 23, 2015.

In addition, this disclosure statement incorporates by reference the most recent quarterly Consolidated Reports of Condition and Income of the Bank filed with its primary federal regulator (the "**Call Reports**"), the Bank's Call Reports for the years ended December 31, 2013 and December 31, 2012, and any future Call Reports of the Bank filed with its primary federal regulator until we complete our offering of the CDs, or if later, the date on which any of our affiliates ceases offering and selling the CDs. Call Reports are available at the FDIC's website at <http://www.fdic.gov>.

You may access information related to the unaudited semiannual Consolidated Financial Statements of JPMorgan Chase Bank, National Association for the six months ended June 30, 2014 and 2013 and the audited annual Consolidated Financial Statements of JPMorgan Chase Bank, National Association for the three years ended December 31, 2013, 2012 and 2011 at the following URL:

[http://www.jpmorgan.com/directdoc/2011\\_through\\_Q2\\_2014\\_JPM\\_Bank\\_Financial\\_Statements.pdf](http://www.jpmorgan.com/directdoc/2011_through_Q2_2014_JPM_Bank_Financial_Statements.pdf)

JPMorgan Chase makes available free of charge, through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished, pursuant to Section 13(a) or Section 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. You may also request, at no cost to you, a written copy of these documents and any documents incorporated by reference herein, including the most recent quarterly Call Report (other than exhibits to such documents) by writing or telephoning JPMorgan Chase at: Office of the Secretary, JPMorgan Chase, 270 Park Avenue, New York, NY 10017-2070.

## **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

JPMorgan Chase Bank, National Association is a wholly owned bank subsidiary of JPMorgan Chase. JPMorgan Chase is incorporated in the State of Delaware in the United States and is headquartered in New York, New York. The Bank is chartered by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. The Bank's main office is located in Columbus, Ohio. The Bank had been organized in the legal form of a banking corporation organized under the laws of the State of New York in 1968 for an unlimited duration. On November 13, 2004, the Bank converted from a New York State banking corporation to a national banking association.

The Bank is a national bank offering a wide range of banking services to its customers both domestically and internationally. Chase Bank USA, National Association is a principal bank subsidiary of JPMorgan Chase and serves as its credit card-issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities LLC, the Firm's U.S. investment banking firm. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and subsidiary foreign banks. One of JPMorgan Chase's principal operating subsidiaries in the United Kingdom is J.P. Morgan Securities plc, a subsidiary of the Bank.

The Bank's business is subject to examination and regulation by the Office of the Comptroller of the Currency. We are a member of the Federal Reserve System and our deposits are insured by the Federal Deposit Insurance Corporation. Our Federal Reserve Bank Identification Number is 852218.

### **Business Activities**

#### ***Principal Activities***

JPMorgan Chase's activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate/Private Equity segment. The Firm's consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm's wholesale businesses. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

#### **Consumer & Community Banking**

Consumer & Community Banking ("CCB") serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking, Mortgage Banking (including Mortgage Production, Mortgage Servicing and Real Estate Portfolios) and Card, Merchant Services & Auto ("Card"). Consumer & Business Banking offers deposit and investment products and services to consumers, and lending, deposit, and cash management and payment solutions to small businesses. Mortgage Banking includes mortgage origination and servicing activities, as well as portfolios comprised of residential mortgages and home equity loans, including the purchased credit impaired portfolio acquired in the Washington Mutual transaction. Card issues credit cards to consumers and small businesses, provides payment services to corporate and public sector clients through its commercial card products, offers payment processing services to merchants, and provides auto and student loan services.

#### **Corporate & Investment Bank**

The Corporate & Investment Bank ("CIB"), comprised of Banking and Markets & Investor Services, offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, government and municipal entities. Within Banking, the CIB offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, as well as loan origination and syndication. Also included in Banking is Treasury Services, which includes transaction services, comprised primarily of cash management and liquidity solutions, and trade finance products. The Markets & Investor Services segment of the CIB is a global market-maker in cash securities and derivative instruments, and also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Investor Services



also includes the Securities Services business, a leading global custodian which includes custody, fund accounting and administration, and securities lending products sold principally to asset managers, insurance companies and public and private investment funds.

### **Commercial Banking**

Commercial Banking (“CB”) delivers extensive industry knowledge, local expertise and dedicated service to U.S. and multinational clients, including corporations, municipalities, financial institutions and non-profit entities. CB provides financing to real estate investors and owners. Partnering with the Firm’s other businesses, CB provides comprehensive financial solutions, including lending, treasury services, investment banking and asset management to meet its clients’ domestic and international financial needs.

### **Asset Management**

Asset Management (“AM”) is a global leader in investment and wealth management. AM clients include institutions, high-net-worth individuals and retail investors in every major market throughout the world. AM offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds. AM also offers multi-asset investment management, providing solutions to a broad range of clients’ investment needs. For individual investors, AM also provides retirement products and services, brokerage and banking services, including trusts and estates, loans, mortgages and deposits. The majority of AM’s client assets are in actively managed portfolios.

### **Corporate / Private Equity**

The Corporate/Private Equity segment comprises Private Equity, Treasury and Chief Investment Office (“CIO”), and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm’s liquidity, funding, and structural interest rate and foreign exchange risks, as well as executing the Firm’s capital plan. The major Other Corporate units include Real Estate, Enterprise Technology, Legal, Compliance, Finance, Human Resources, Internal Audit, Risk Management, Oversight & Control, Corporate Responsibility and various Other Corporate groups. Other centrally managed expense includes the Firm’s occupancy and pension-related expense that are subject to allocation to the businesses.

The delivery of this disclosure statement shall not create any implication that there has been no change in our affairs since the date of this disclosure statement and the information with respect to us may only be accurate on the date of this document.

## DEPOSIT INSURANCE

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 of \$250,000 for all deposits held in the same ownership capacity per depository institution (the “**Maximum Insured Amount**”). The maximum amount of deposit insurance available in the case of deposits in certain retirement accounts (the “**Maximum Retirement Account Amount**”) as described below under “*Retirement Plans and Accounts – General*” is \$250,000 per participant per insured depository institution.

Any accounts or deposits a holder maintains directly with the Bank 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. Although FDIC insurance coverage includes both principal and accrued interest (subject to the applicable limit), if the FDIC was appointed conservator or receiver of the Bank prior to the maturity of the CDs, the FDIC likely would take the position that any payments the amount of which has not been determined, and which have not accrued, as of the date on which the FDIC is appointed receiver or conservator, were not insured because the amount of such payments is not calculated until the relevant Determination Date as set forth in the relevant terms supplement and would not be reflected as accrued interest on the books of the Bank at the time of such appointment. Accordingly, any such prospective payments would not be insured by the FDIC prior to the relevant Determination Date as set forth in the relevant terms supplement on which the amount of such payment is determined and accrued, which may be the final Determination Date. In addition, any fixed payment at maturity in addition to the principal amount, if applicable, would not be subject to FDIC insurance prior to the date on which such amount is accrued.

Any secondary market premium you pay for the CDs also will not be insured by the FDIC.

**Each holder is responsible for monitoring the total amount of its deposits in order to determine the extent of deposit insurance coverage available to it on such deposits, including the CDs. In circumstances in which FDIC insurance coverage is needed, (a) the uninsured portion of the CDs or any other deposits will constitute unsecured claims on the receivership or conservatorship and (b) neither the Bank nor any broker will be responsible for any insured or uninsured portion of the CDs or any other deposits. Persons considering the purchase, ownership or disposition of a CD should consult their legal advisors concerning the availability of FDIC insurance.**

The summary of FDIC deposit insurance regulations contained in this disclosure statement is not intended to be a full restatement of applicable FDIC regulations and interpretations, which may change from time to time. In certain instances, additional terms and conditions which are not described herein may apply. Accordingly, the discussion in this document is qualified in its entirety by such regulations and interpretations, and the holder is urged to discuss with its attorney the insurance coverage afforded to any CD that it may purchase. You may also obtain information by contacting the FDIC, Deposit Insurance Outreach, Division of Supervision and Consumer Protection, by mail at 550 17th Street, N.W., Washington, D.C. 20429, by phone at 877-275-3342 or by visiting the FDIC website at [www.fdic.gov/deposit/index.html](http://www.fdic.gov/deposit/index.html).

If the CDs or other deposits of a holder at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that such holder might have established with the acquirer until (a) the maturity date of the CDs or other time deposit which were assumed or (b) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition. Thereafter any assumed deposits will be aggregated with the existing deposits with the acquirer held in the same legal capacity for purposes of federal deposit insurance. Any deposit opened at the acquired institution after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

The application of the federal deposit insurance limitation per depository institution in certain common factual situations is illustrated below:

*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 interests of co-owners 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, 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 and has a right of withdrawal on the same basis as the other co-owners. 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 Bank 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 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 Bank’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.

*Revocable Trust Accounts.* Funds owned by an individual and deposited into a deposit account with respect to which the individual evidences an intention that upon his/her death the funds will belong to his or her spouse, children, grandchildren, parents, or siblings (each, a **“Qualifying Beneficiary”**) are insured up to the Maximum Insured Amount as to each Qualifying Beneficiary, separately from any other deposit accounts of the owner or any other Qualifying Beneficiary. The owner’s intention must be manifested in the title of the account, by using such terms as “in trust for” or “payable upon death to,” and the Qualifying Beneficiaries must be named in the deposit account records of the depository institution. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account and insured as described above under *“Joint Accounts.”*

*Irrevocable Trust Accounts.* Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured for up to the Maximum Insured Amount for the interest of each beneficiary, provided that the beneficiary’s interest in the account is non-contingent (*i.e.*, capable of determination without evaluation of contingencies) and certain other criteria are met. The FDIC treats Coverdell education savings accounts as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary’s interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or beneficiaries. The interests of a beneficiary in all irrevocable trust accounts at the Bank created by the same grantor will be aggregated and insured up to the Maximum Insured Amount. When a bankruptcy trustee commingles the funds of two or more bankruptcy estates in the same trust account, the funds of each bankruptcy estate will receive separate pass-through coverage for up to the Maximum Insured Amount.

*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 Bank. 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 Bank 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 Bank, 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 the Employee Retirement Income Security Act of 1974, as amended (“**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.

*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 Bank 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 Bank, 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).

No broker will be obligated to any holder for amounts not covered by deposit insurance. Neither the Bank nor any broker will be obligated to make any payments to any holder in satisfaction of any loss such holder might incur, including losses that result from (a) a delay in insurance payouts applicable to its CD, (b) its receipt of a decreased rate of return on the reinvestment of the proceeds received as a result of a payment on a CD prior to its scheduled maturity, (c) payment in cash of the CD principal prior to maturity in connection with the liquidation of an insured institution or the assumption of all or a portion of its deposit liabilities at a lower interest rate or (d) its receipt of a decreased rate of return as compared to amounts payable in addition to the principal, if any, on these instruments.

### **Insurance of Certificates of Deposits Issued By Washington Mutual Bank**

If you already own certificates of deposit issued by Washington Mutual Bank (“**WaMu CDs**”), substantially all of the assets of which were purchased by JPMorgan Chase from the FDIC on September 25, 2008, those WaMu CDs were separately insured from JPMorgan Chase Bank, N.A. accounts until March 24, 2009. Insurance for WaMu CDs existing on September 25, 2008 may be extended to WaMu CDs maturing before March 24, 2009 that roll over without any changes (such as amount, term, or title). In addition, WaMu CDs maturing after March 24, 2009, will be separately insured until their first maturity date after March 24, 2009. WaMu CDs opened on or after September 26, 2008, will be combined with all other JPMorgan Chase Bank, N.A. accounts of the same depositor to determine FDIC insurance coverage.

## **Preference in Right of Payment**

Federal legislation adopted in 1993 provides for a preference in right of payment of certain claims made in the liquidation or other resolution of any FDIC-insured depository institution. The statute requires claims to be paid in the following order:

- first, administrative expenses of the receiver;
- second, any deposit liability of the institution;
- third, any other general or senior liability of the institution not described below;
- fourth, any obligation subordinated to depositors or general creditors not described below;
- fifth, any obligation to shareholders or members (including any depository institution holding company or any shareholder or creditor of such company).

For purposes of the statute, deposit liabilities include any deposit payable at an office of the insured depository institution in the United States. They do not include international banking facility deposits or deposits payable at an office of the insured depository institution outside the United States.

In addition, in the view of the FDIC, any obligation of an FDIC-insured depository institution that is contingent at the time of the insolvency of the institution may not provide a basis for a claim against the FDIC as receiver for the insolvent institution. For the CDs described in this disclosure statement, this limitation on claims against the FDIC affects only the amounts payable in addition to the principal, if any, on these instruments.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of the material U.S. federal income and certain estate tax consequences of owning and disposing of the CDs. It applies to you only if you are an initial investor who purchases a CD at its issue price for cash and holds it as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences, the application of the provision of the Code known as the Medicare contribution tax and the different consequences that may apply if you are an investor subject to special treatment under the U.S. federal income tax laws, such as:

- a financial institution;
- a “regulated investment company” as defined in Code Section 851;
- a tax-exempt entity, including an “individual retirement account” or “Roth IRA” as defined in Code Section 408 or 408A, respectively;
- a dealer in securities;
- a person holding a CD as part of a “straddle,” conversion transaction or integrated transaction, or who has entered into a “constructive sale” with respect to a CD;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a trader in securities who elects to apply a mark-to-market method of tax accounting; or
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and your activities.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations as of the date of this disclosure statement, changes to any of which, subsequent to the date hereof, may affect the tax consequences described herein, possibly with retroactive effect. As the law applicable to the U.S. federal income taxation of instruments such as the CDs is technical and complex, the discussion below necessarily represents only a general discussion. Moreover, the effects of any applicable state, local or non-U.S. tax laws are not discussed. **You should consult your tax adviser concerning the application of U.S. federal income and estate tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction.**

The following discussion does not apply to CDs with fixed payments. The tax consequences of an investment in these CDs will be described in the relevant terms supplement.

### Tax Treatment of the CDs

The CDs will be treated as debt instruments for U.S. federal income tax purposes. The tax treatment of the CDs will depend on the facts at the time of the relevant offering. In particular, in the case of CDs with a term of not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both), the CDs will be treated as “short-term obligations.” In the case of CDs with a term of more than one year and that provide for an Additional Amount, we generally expect that the CDs will be treated as “contingent payment debt instruments,” as described below.

In the case of CDs with a term of more than one year and that do not provide for an Additional Amount, our tax counsel may provide a level of comfort as to whether the CDs will be treated as either contingent payment debt instruments or alternatively as “variable rate debt instruments,” as described below, or we may simply determine to treat the CDs as either contingent payment debt instruments or variable rate debt instruments, depending on the terms of the particular offering. The relevant terms supplement may describe our tax counsel’s level of comfort on this issue, or indicate which of these treatments we intend to apply to these CDs. In any case, we expect that there will be some risk that the IRS could determine that our treatment of these CDs was incorrect. For example, if we treat an offering of these CDs as variable rate debt instruments, we expect that there will be some risk that the IRS could determine that they were in fact contingent payment debt instruments, or *vice versa*. Any such determination

could have adverse U.S. federal income tax consequences for you. The following discussion assumes the tax treatment described in the applicable sections below is respected. The relevant terms supplement may indicate other issues applicable to a particular offering of CDs.

### **Tax Consequences to U.S. Holders**

You are a “U.S. Holder” if for U.S. federal income tax purposes you are a beneficial owner of a CD that is:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### **CDs with a Term of Not More than One Year**

The following discussion applies to CDs with a term of not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both) that do not provide for payments prior to maturity. The tax consequences of an investment in CDs with a term of not more than one year that provide for payments prior to maturity will be described in the relevant terms supplement.

No statutory, judicial or administrative authority directly addresses the treatment of these CDs or similar instruments for U.S. federal income tax purposes, and we do not intend to request a ruling from the IRS with respect to these CDs. Because the term of these CDs is not more than one year, the CDs will be treated as “short-term obligations.” Generally, a short-term obligation is treated for U.S. federal income tax purposes as issued at a discount equal to the difference between the payments due thereon and the instrument’s issue price, and this discount is treated as interest income when received or accrued, as described further below. There is no authority, however, regarding the accrual of discount on short-term obligations, such as the CDs, that provide for contingent payments, and no ruling will be requested from the IRS with respect to the CDs. As a result, several aspects of the U.S. federal income tax consequences of an investment in these CDs are uncertain, as discussed below.

*Tax Treatment Prior to Maturity.* If you are a cash-method taxpayer, you will not be required to recognize income with respect to the CDs prior to maturity, other than pursuant to a sale or exchange, as described below. You may, however, elect to accrue discount into income on a current basis, in which case you would be subject to the rules described in the following paragraph. Generally, if you own a short-term obligation and do not make this election, you will be required to defer deductions with respect to any interest paid on indebtedness incurred to purchase or carry the short-term obligation, to the extent of accrued discount that you have not yet included in income. As noted above, however, there is no authority regarding the accrual of discount on short-term obligations such as the CDs. It is therefore unclear how, if at all, the rules regarding deferral of interest deductions would apply to your CDs.

Generally, accrual-method owners and certain other owners of a short-term obligation (including electing cash-method owners) are required to accrue discount on the obligation into income on a straight-line basis. As noted above, however, there is no authority regarding the accrual of discount on short-term obligations such as the CDs. Consequently, the timing and amounts of the discount to be accrued on these CDs are generally unclear. If the overall amount of discount that will be received has become fixed (or the likelihood of this amount not being a fixed amount has become remote) prior to maturity, it is likely that the amount of discount to be accrued will be determined based on the fixed amount.

*Tax Treatment upon Sale, Exchange or Redemption.* Upon a sale or exchange of a CD (including early redemption or redemption at maturity), you will recognize gain or loss in an amount equal to the difference between the amount you receive and your adjusted basis in the CD. Your adjusted basis in the CD will equal the amount you paid to acquire the CD, increased by any discount that you have previously included in income but not received. The amount of any resulting loss will be treated as a capital loss. A loss in excess of certain thresholds may be subject to special reporting requirements, although this is unclear. Gain resulting from redemption at maturity should be treated as ordinary interest income.



Generally, if you are a cash-method taxpayer who has not elected an accrual method of tax accounting in respect of the CDs, gain recognized on a sale or exchange prior to maturity will be treated as ordinary interest income in an amount not exceeding the accrued but unpaid discount. As noted above, however, there is no authority regarding the accrual of discount on short-term obligations such as the CDs. If the overall amount of discount that will be received at maturity has become fixed (or the likelihood of this amount not being a fixed amount has become remote) prior to the sale or exchange, it is likely that the portion of your gain on the sale or exchange that will be treated as accrued discount (and, therefore, taxed as ordinary income) will be determined based on the fixed amount.

Generally, if you own a short-term obligation and you are subject to an accrual method of tax accounting, gain recognized on a sale or exchange will be short-term capital gain, because accrued discount will already have been included in your income. As noted above, however, there is no authority regarding the accrual of discount on short-term obligations such as the CDs. Consequently, there is uncertainty regarding what portion, if any, of gain recognized upon the sale or exchange prior to maturity of a CD subject to an accrual method of tax accounting will be treated as short-term capital gain. Notwithstanding this uncertainty, if you are an accrual-method taxpayer, you will recognize interest income no later than, and in an amount not less than, if the CDs were subject to cash-method accounting.

## **CDs with a Term of More than One Year**

### ***CDs Treated as Contingent Payment Debt Instruments***

The following discussion applies to CDs that are properly treated as “contingent payment debt instruments” for U.S. federal income tax purposes (“**CPDI CDs**”). CPDI CDs will generally be subject to the original issue discount (“**OID**”) provisions of the Code and the Treasury regulations issued thereunder, and you will be required to accrue as interest income the OID on the CPDI CDs as described below.

We are required to determine a “comparable yield” for the CPDI CDs. The comparable yield is the yield at which we could issue a fixed-rate debt instrument with terms similar to those of the CPDI CDs, including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for the riskiness of the contingencies or the liquidity of the CPDI CDs. Solely for purposes of determining the amount of interest income that you will be required to accrue, we are also required to construct a “projected payment schedule” in respect of the CPDI CDs representing a payment or a series of payments the amount and timing of which would produce a yield to maturity on the CPDI CDs equal to the comparable yield.

Unless otherwise provided in the relevant terms supplement, we will provide, and you may obtain, the comparable yield for a particular offering of CPDI CDs, and the related projected payment schedule, in the final disclosure supplement for these CPDI CDs.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount(s) of any contingent payment(s) that we will make on the CPDI CDs.**

For U.S. federal income tax purposes, you are required to use our determination of the comparable yield and projected payment schedule in determining interest accruals and adjustments in respect of your CPDI CDs, unless you timely disclose and justify the use of other estimates to the IRS. Regardless of your method of tax accounting, you will be required to accrue as interest income OID on your CPDI CDs in each taxable year at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount(s) of the contingent payment(s), if any, on the CPDI CDs during the year (as described below).

In addition to interest accrued based upon the comparable yield as described above, you will be required to recognize interest income equal to the amount of any net positive adjustment, *i.e.*, the excess of actual payments over projected payments, in respect of a CPDI CD for a taxable year. A net negative adjustment, *i.e.*, the excess of projected payments over actual payments, in respect of a CPDI CD for a taxable year:

- will first reduce the amount of interest in respect of the CPDI CD that you would otherwise be required to include in income in the taxable year; and

- to the extent of any excess, will give rise to an ordinary loss, but only to the extent that the total amount of all previous interest inclusions under the CPDI CD exceeds the total amount of your net negative adjustments treated as ordinary loss on the CPDI CD in prior taxable years.

A net negative adjustment is not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the CPDI CD or to reduce the amount realized on a sale or exchange of the CPDI CD (including early redemption or redemption at maturity).

Upon a sale or exchange of a CPDI CD, you generally will recognize taxable income or loss equal to the difference between the amount received from the sale or exchange (reduced by any net negative adjustment carryforward, as described in the preceding paragraph) and your adjusted tax basis in the CPDI CD. Your adjusted tax basis in the CPDI CD will equal the amount you paid to acquire the CPDI CD, increased by the amount of interest income you have previously accrued in respect of the CPDI CD (determined without regard to any of the positive or negative adjustments to interest accruals described above) and decreased by the amount of any projected payments in respect of the CPDI CD through the date of the sale or exchange. You generally must treat any income as interest income and any loss as ordinary loss to the extent of previous interest inclusions (reduced by the total amount of net negative adjustments previously taken into account as ordinary losses), and the balance as capital loss. As with net negative adjustments, these ordinary losses are not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. The deductibility of capital losses, however, is subject to limitations. Additionally, if you recognize a loss above certain thresholds, you might be required to file a disclosure statement with the IRS, although this is uncertain.

Special rules may apply if one or more contingent payments become fixed prior to maturity, including as a result of a commodity hedging disruption event (if applicable). The applicability of these rules, and their potential consequences, will depend upon the specific terms of the relevant offering. Additional details regarding this issue may be provided in the relevant terms supplement.

#### ***CDs Treated as Variable Rate Debt Instruments***

The following discussion applies to CDs that are properly treated as “variable rate debt instruments” for U.S. federal income tax purposes (“**VRDI CDs**”). It does not apply to VRDI CDs issued at a price that is less than or equal to their “stated redemption price at maturity” by more than a *de minimis* threshold (“**OID VRDI CDs**”). If applicable, the relevant terms supplement will describe the tax consequences relating to OID VRDI CDs.

Interest paid on a VRDI CD generally will be taxable to you as ordinary income at the time it accrues or is received in accordance with your method of tax accounting.

Upon the sale or exchange of a VRDI CD (including early redemption or redemption at maturity), you will recognize taxable gain or loss in an amount equal to the difference between the amount realized and your adjusted tax basis in the VRDI CD. In general, gain or loss recognized upon the sale or exchange of a VRDI CD will be capital gain or loss and will be long-term capital gain or loss if you have held the VRDI CD for more than one year at that time. The deductibility of capital losses is subject to limitations.

For purposes of determining the amount of gain recognized upon the sale or exchange of a VRDI CD, the amount realized does not include any amount attributable to accrued interest, which will be treated as a payment of interest. There is no controlling authority, however, regarding the accrual of a contingent interest payment prior to the time it has become fixed. It is therefore unclear what if any portion of the amount realized upon the sale or exchange of a VRDI CD prior to the applicable Determination Date for the next succeeding interest payment date will be treated as a payment of accrued interest.

#### **Tax Consequences to Non-U.S. Holders**

You are a “Non-U.S. Holder” if for U.S. federal income tax purposes you are a beneficial owner of a CD that is:

- a nonresident alien individual;

- a foreign corporation; or
- a foreign estate or trust.

You are not a “Non-U.S. Holder” for purposes of this discussion if you are an individual present in the United States for 183 days or more in the taxable year of disposition of a CD. In this case, you should consult your tax adviser regarding the U.S. federal income tax consequences of the sale or exchange of a CD (including early redemption or redemption at maturity).

Subject to the discussion below, income and gain from a CD generally will be exempt from U.S. federal income tax (including withholding tax) if these amounts are not effectively connected with your conduct of a U.S. trade or business and you provide a properly completed IRS Form W-8 appropriate to your circumstances.

If you are engaged in a U.S. trade or business and if income or gain from a CD is effectively connected with your conduct of that trade or business (and, if an applicable income tax treaty so requires, is attributable to a permanent establishment in the United States), although exempt from the withholding tax discussed above, you generally will be taxed in the same manner as a U.S. Holder with respect to that income. You will not be subject to withholding in this case if you provide a properly completed IRS Form W-8ECI. If this paragraph applies to you, you should consult your tax adviser with respect to other U.S. tax consequences of owning and disposing of CDs, including the possible imposition of a 30% branch profits tax if you are a corporation.

Section 871(m) imposes a 30% withholding tax on certain “dividend equivalents” paid or deemed paid with respect to U.S. equities or equity indices under certain circumstances. Recent Treasury proposals could apply Section 871(m) in the future to CDs linked to U.S. equities or equity indices offered under this product supplement, under certain circumstances, even in cases where no current payment is made under the CDs. Pursuant to published guidance, these regulations are not expected to apply to “grandfathered” CDs issued prior to 90 days after the date that final regulations are published. If a CD is not grandfathered, no assurances can be given as to whether or how Section 871(m) will be applied to CDs linked to U.S. equities or equity indices. You should consult your tax adviser regarding the potential application of Section 871(m). Where warranted, we will disclose further information regarding the possible application of Section 871(m) in the relevant terms supplement.

We will not pay additional amounts with respect to any withholding taxes.

### **Federal Estate Tax**

If you are an individual Non-U.S. Holder, your CDs will not be treated as U.S.-situs property subject to U.S. federal estate tax, provided that your income from the CDs is not then effectively connected with your conduct of a U.S. trade or business.

### **Backup Withholding and Information Reporting**

Interest (including OID) accrued or paid on your CDs and the proceeds received from a sale or exchange of your CDs (including early redemption or redemption at maturity) will generally be subject to information reporting unless you are an “exempt recipient.” You may also be subject to backup withholding on payments in respect of your CDs unless you provide proof of an applicable exemption or a correct taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules. If you are a Non-U.S. Holder, you will not be subject to backup withholding if you provide a properly completed IRS Form W-8 appropriate to your circumstances. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

### **FATCA**

Legislation commonly referred to as “FATCA,” and regulations promulgated thereunder, generally impose a 30% withholding tax on payments to certain non-U.S. entities (including financial intermediaries) with respect to debt instruments such as the CDs, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity’s jurisdiction may modify these requirements. This regime applies to payments of interest and, if your CDs mature after December 31, 2016, to the payment on your CDs at maturity, as well as the proceeds of any sale or other disposition

of a CD occurring after December 31, 2016. You should consult your tax adviser regarding the potential application of FATCA to the CDs.

We will not pay any additional amounts with respect to any withholding tax.

**THE TAX CONSEQUENCES TO YOU OF OWNING AND DISPOSING OF CDS ARE UNCLEAR. YOU SHOULD CONSULT YOUR TAX ADVISER REGARDING THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF CDS, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.**

## **DISCOUNTS AND SECONDARY MARKET**

We will sell the CDs to brokers at discounts provided in the relevant terms supplement.

Each broker, though not obligated to do so, may maintain a secondary market in the CDs. Secondary market transactions may be expected to be effected at prices which reflect then-current interest rates, supply and demand, time remaining until maturity, and general market conditions. The foregoing means that secondary market transactions may be effected at prices greater or less than the Principal Amount, and the yield to maturity on a CD purchased in the secondary market may differ from the yield at the time of original issuance. The prices at which CDs may trade in secondary markets may fluctuate more than ordinary interest-bearing CDs.

Each broker may purchase and sell CDs for its own account, as well as for the accounts of customers. Accordingly, a broker may realize profits from mark-ups on transactions for its own account, and may charge customers commissions in brokerage transactions, which mark-ups or commissions will affect the yield to maturity of such CDs. Any commission on a brokered secondary market transaction may be reflected in a holder's Confirmation.

Each broker may at any time, without notice, discontinue participation in secondary market transactions in CDs. Accordingly, a holder should not rely on the possible existence of a secondary market for any benefits, including liquidity, achieving trading profits, limiting trading or other losses, or realizing income prior to maturity.

## BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to ERISA, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”), should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the CDs. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, “**Plans**”), from engaging in certain transactions involving the “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under Section 4975 of the Code (in either case, “**Parties in Interest**”) with respect to such Plans. As a result of our business, we, and our current and future affiliates, may be Parties in Interest with respect to many Plans. Where we (or our affiliate) are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the CDs by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless statutory or administrative exemptive relief were available.

Certain prohibited transaction class exemptions (“**PTCEs**”) issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the CDs. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the CDs and related lending transactions, provided that neither the issuer of the CDs nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “**service provider exemption**”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the CDs.

Accordingly, the CDs may not be purchased or held by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the CDs will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser or holder of the CDs or any interest therein will be deemed to have represented by its purchase or holding of the CDs that (a) it is not a Plan and its purchase and holding of the CDs is not made on behalf of or with “plan assets” of any Plan or (b) its purchase and holding of the CDs will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (“**Non-ERISA Arrangements**”) are not subject to these “prohibited transaction” rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (“**Similar Laws**”). Accordingly, each such purchaser or holder of the CDs shall be required to represent (and deemed to have represented by its purchase of the CDs) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the CDs on behalf of or with “plan assets” of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, 84-14, the service provider exemption or some other basis on which the acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws.

The CDs are contractual financial instruments. The financial exposure provided by the CDs is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the CDs. The CDs have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the CDs.

Each purchaser or holder of any CDs acknowledges and agrees that:

- (i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the CDs, (B) the purchaser or holder's investment in the CDs, or (C) the exercise of or failure to exercise any rights we have under or with respect to the CDs;
- (ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the CDs and (B) all hedging transactions in connection with our obligations under the CDs;
- (iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;
- (iv) our interests are adverse to the interests of the purchaser or holder; and
- (v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the CDs has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the CDs does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any CDs to any Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment is appropriate for, or meets all relevant legal requirements with respect to investments by, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.