

PROSPECTUS



HSBC Bank plc

*(a company incorporated with limited liability in England with registered number 14259)
as Issuer*

Issue of EUR 30,000,000 Fund-Linked Notes due 2017 (the "Notes")

This document (which expression shall include all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Notes issued by HSBC Bank plc (the "**Issuer**") and has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a prospectus ("**Prospectus**").

The Notes are issued under the Issuer's Programme for the Issuance of Notes and Warrants (the "**Programme**").

Application will be made to admit the Notes to listing on the Official List of the FCA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**")), and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

The Issuer has been assigned the following long term credit ratings: AA- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"); Aa3 by Moody's Investors Service Limited ("**Moody's**"); and AA- by Fitch Ratings Limited ("**Fitch**"). Each of Standard & Poor's, Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Standard & Poor's, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Notes are in bearer form and are subject to U.S. tax law requirements.

Investing in the Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed in the documents incorporated by reference specified in the section headed "Risk Factors" below.

HSBC

7 April 2014

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus contains certain information relating to the Reference Funds obtained from the Reference Fund Prospectus (the "Third Party Information"). Such Third Party Information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by each Reference Fund and/or the Management Company no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer does not intend to provide post-issuance information.

HSBC Bank plc in its capacity as dealer (the "Dealer") has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Dealer as to the accuracy or completeness of the information contained in this Prospectus, any document incorporated by reference herein or any other information provided by the Issuer in connection with the Notes or their distribution. The Dealer accepts no liability in relation to this Prospectus or its distribution or with regard to any other information supplied by or on behalf of the Issuer. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer.

Neither this Prospectus nor any further information supplied in connection with the Notes should be considered as a recommendation or as constituting an invitation or offer by the Issuer or the Dealer that any recipient of this Prospectus or any other information supplied in connection with the Notes should subscribe for or purchase the Notes. Each investor contemplating subscribing for or purchasing the Notes should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer by or on behalf of the Issuer or the Managers to subscribe for or purchase the Notes.

The distribution of this Prospectus and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer or the Dealer represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Notes or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or the Notes come must inform themselves about, and observe, any such restrictions.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons (as defined in Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. In addition, Notes issued in reliance on Regulation S during the 40-day period beginning on the date of the completion of the distribution of the Notes will only be issued to a person that is neither a U.S. person nor holding such Notes for the account or benefit of a U.S. person. Terms in the previous sentence have the meaning given to them in Regulation S.

The Issuer has no responsibility and assumes no responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser or investor, whether under the laws of the jurisdiction of the purchaser or investor's incorporation or the jurisdiction in which it operates (if different), or for compliance by that purchaser or investor with any law, regulation or regulatory policy applicable to it.

Unless otherwise specified, references in this Prospectus to "\$", "*dollars*", "*US\$*", "*USD*" and "*US dollars*" are to the lawful currency of the United States of America. References to "£", "*pounds*", "*Pounds Sterling*", and "*Sterling*" are to the lawful currency of the United Kingdom. References to "€", "*euro*" and "*EUR*", are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

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OVERVIEW OF THE NOTES

This section provides an overview of how an investment in the Notes works and how payments under the Notes are calculated. Investors should, however, read the whole of this Prospectus, including the Terms and Conditions of the Notes, for full details of their provisions.

The Notes constitute unsubordinated and unsecured obligations of the Issuer.

The redemption amount payable on the Notes at maturity is linked to the performance of a synthetic portfolio of reference funds (the "**Portfolio**"). The Portfolio is comprised of 16 sub-funds of the Pioneer Fund (an umbrella fund) (the "**Reference Funds**"). The weighting of the Reference Funds comprising the Portfolio as of the issue date of the Notes is as set out in the Schedule to the Final Terms contained in this Prospectus. ING Pension Insurance Company EAD as the Fund Selection Agent has the right to request that the composition and/or the weighting of the Portfolio of the Reference Funds be amended from time to time.

The formula used to calculate the redemption amount payable on the Notes at maturity depends on whether the Portfolio level on the final valuation date, less a recomposition fee (if applicable) and an adjustment factor (multiplied by a day count fraction) (the "**Final Portfolio Level**") is greater than, equal to or less than the Portfolio Level on the initial valuation date (the "**Initial Portfolio Level**"). No interest is payable on the Notes.

The potential pay-out on the Notes at maturity is as follows:

Scenario A – Return

If the Final Portfolio Level is greater than the Initial Portfolio Level, an investor may receive their initial investment plus a return which is an amount based on the percentage increase in the difference between (a) the Final Portfolio Level and (b) the Initial Portfolio Level.

Scenario B – No additional Return

If the Final Portfolio Level is equal to the Initial Portfolio Level, an investor may receive its initial investment with no additional return.

Scenario C – Loss of initial investment

If the Final Portfolio Level is less than the Initial Portfolio Level, an investor will be exposed to the downside performance of the Portfolio and the investor's redemption proceeds may be the higher of (i) zero or (ii) the investor's initial investment reduced by an amount equal to the percentage fall in the Final Portfolio Level as against the Initial Portfolio Level. Consequently, an investor in the Notes risks losing all of their initial investment.

The Notes will not be redeemed early except for redemption for Taxation Reasons, Illegality, Merger Event, Hedging Disruption Event, Change in Law, Potential Adjustment Event or an Extraordinary Fund Event (all as more fully described in the Terms and Conditions of the Notes).

Buy-Back Provision

The Issuer has the discretion to purchase Notes from an investor in the secondary market. If the Issuer exercises such discretion, the investor may receive an amount which is based on the percentage difference between (a) the portfolio level on the valuation date immediately preceding such purchase date and (b) the Initial Portfolio Level, less an early unwind fee.

RISK FACTORS

This section provides details of the principal risks associated with the Issuer and the Notes.

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, investors should carefully consider risk factors associated with any investment in the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular, the risk factors described below and the risk factors contained in pages 3 to 14 of the registration document of the Issuer dated 16 April 2013 (the "**Registration Document**"), incorporated by reference. Words and expressions defined in the Conditions or elsewhere in this Prospectus have the same meanings in this section.*

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer or the Notes that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Reference Fund Value underlying the Notes or the Notes themselves, and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risk Factors relating to the Issuer

A description of the risk factors relating to the Issuer that may affect the ability of the Issuer to fulfil its obligations to investors in relation to the Notes is set out under the heading "*Risk Factors*" on pages 3 to 14 of the Registration Document (as defined in the section headed "*Incorporation by Reference*" below), which is incorporated herein by reference, and is supplemented and updated by the sections entitled "*Principal Risks and Uncertainties*" on pages 20 to 25 and "*Regulation and Supervision*" on pages 79 to 81 of the 2013 Annual Report and Accounts (as defined in the section headed "*Incorporation by Reference*" below), which are also incorporated by reference.

Risks relating to the Notes

Credit risk

The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario investors in the Notes could lose all of their invested amounts.

Investors should be aware that any rating of the Issuer reflects the independent opinion of the relevant rating agency and is not a guarantee of the Issuer's credit quality. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

The Notes are unsecured obligations

It will be particularly important for the investor to evaluate the Issuer's credit risk when considering an investment in the Notes as the Notes are unsecured. If the Issuer became unable to pay amounts owed to the investor under the Notes, such investor does not have recourse to the Reference Funds and, in a worst case scenario, may not receive any payments under the Notes.

The Notes are not ordinary debt securities

An investment in the Notes is not an equivalent to an investment in a time deposit. The terms of the Notes differ from those of ordinary debt securities because the Notes do not pay interest and, on redemption depending on the performance of the Reference Funds, may return less than the amount invested or nothing.

The repayment of any amount invested in the Notes and any return on investment is variable and not guaranteed. Unlike a savings account or similar investment with a lower return and little or no capital

risk, the Notes may potentially have a greater return but there is a greater risk of loss of capital. As a result, the investors' capital can fall below the amount initially invested.

Capital risks relating to Notes

The Notes are not principal protected, and accordingly the repayment of any amount invested in the Notes and any return on investment is not guaranteed. As a result the investors' capital can fall below the amount initially invested in the Notes. Unlike a savings account or similar investment, an investment in the Notes is not covered by the UK Financial Services Compensation Scheme.

No ownership rights

The Notes represent a "notional" investment in the Reference Funds that are included within the Portfolio from time to time. An investment in the Notes is not the same as a direct investment in the Reference Funds and does not confer any legal or beneficial interest in any Reference Fund or any voting rights, rights to receive dividends or distributions (if any) or other rights that a holder of the units in any Reference Fund would have.

The Notes are unsubordinated and unsecured obligations of the Issuer. There will not necessarily be any linear correlation between the value of any Reference Fund and the value of the Notes. Therefore, investors in the Notes will not necessarily receive the same or a similar return as they would if they invested directly in the Reference Funds. On redemption, the Notes will be redeemed in cash at an amount determined by reference to the performance of the Portfolio determined as specified herein. The terms of the Notes provide for certain deductions of notional fees which will also reduce the potential returns under the Notes. Such amount may be less than their nominal amount and could be zero. The Notes are redeemable prior to the scheduled maturity date in certain circumstances at an amount determined by the Calculation Agent (as defined herein) which may be less than their nominal amount. Additionally, the maturity date for the Notes may be subject to extension in certain circumstances until the Final Cut-Off Date (as defined herein). Investors will not be entitled to interest in respect of the period for which the maturity date is extended.

The Prospectus is not an offer to sell or an offer to buy the Reference Funds. The Reference Funds are not involved in the offering of the Notes and have no obligations with respect to the Notes, including any obligation to consider the interest of any investor in the Notes for any reason. The Reference Funds are not involved in the administration, marketing or trading of the Notes and have no obligation with respect to any amount to be paid to the investors of the Notes.

Notwithstanding the foregoing, prospective investors are advised to evaluate the same information concerning the Reference Funds as they would if they were investing directly in the Reference Funds. In addition, prospective investors should understand that the historical performance of the Reference Funds should not be viewed as predictive of future results.

Reference Fund Selection Agent

Prospective investors should be aware that the value of the Notes may be affected by recompositions made by the Reference Fund Selection Agent from time to time.

These recompositions may vary the Portfolio significantly such that investors find that the composition of and weighted exposure to the Reference Funds in the Portfolio is significantly different from when they first decided to invest in the Notes. The Reference Fund Selection Agent is not required to consult with Noteholders prior to making an amendment to the Portfolio. Also, there can be no guarantee that the Reference Fund Selection Agent's determination of the composition of the Portfolio will be such as to maximise the Portfolio Level of the Notes, and such recomposition might have the effect of causing the Notes to decrease in value. An investor in the Notes should understand that the historical performance of the Reference Fund Selection Agent should not be viewed as predictive of future results and that, moreover, the Reference Fund Selection Agent does not act as a fiduciary or adviser to any of the Noteholders in respect of such determinations. Any recomposition beyond the first two recompositions in each calendar year will be subject to a Recomposition Fee that will reduce the amount available to the Noteholders.

Although the Reference Fund Selection Agent has absolute discretion to determine the applicable Portfolio Weighting for each of the Reference Funds (subject to the requirement that the aggregate

weighting shall not exceed 100%), the Reference Fund Selection Agent is not obliged to make any adjustments to the Portfolio at any time and, accordingly, there is no guarantee that any amendments will be made to the Portfolio at all. The Reference Fund Selection Agent is not obliged to monitor the performance of any of the Reference Funds. None of the Issuer or the Calculation Agent is required to monitor the Reference Funds or the selections or performance of the Reference Fund Selection Agent, or to remove or replace the Reference Fund Selection Agent if the Reference Fund Selection Agent no longer wishes or is incapable of acting in such capacity. If the Reference Fund Selection Agent ceases to make adjustments to the Portfolio, the Portfolio will become a static Portfolio only.

Prospective investors should be aware that the Reference Fund Selection Agent may act in a proprietary capacity and may hold long or short positions in instruments of all types, including any of Reference Funds. In addition, the Reference Fund Selection Agent may invest and/or deal, for its own account or for the clients, funds, trust entities and/or accounts in respect of which any such transaction parties may have investment discretion, in securities (or make loans or have other rights) that are senior to, or have interests different from or adverse to, any of the Reference Funds, the Issuer and the Noteholders.

Investors and prospective investors should note that the Issuer is not responsible for any actions or omissions of the Reference Fund Selection Agent and investors will have no recourse to the Issuer in circumstances where they suffer any loss as a result of any act or omission by the Reference Fund Selection Agent.

The Reference Funds

General

The past performance of assets, investment funds or other investment companies managed by the Management Company or its directors is not necessarily a guide to the future performance of any Reference Fund.

Furthermore, the Issuer does not make any representation as to the performance of the Reference Funds. Noteholders will not have any direct interest and/or voting right or any other rights that the holders of units in the Reference Funds would have and will not receive any dividends.

Investment Risks

The Reference Funds will each be identifying and obtaining suitable investments in accordance with their investment objectives. There can be no guarantee that the Management Company will be successful in identifying and obtaining suitable investments on financially attractive terms for the Reference Funds or that the Reference Funds' investment objectives will be achieved. It is likely that the performance of these investments will be affected by the general economic conditions, including the rate of GDP growth in the relevant region that such Reference Fund is investing in and the wider global economy. A Reference Fund may lose some or all of the capital that is invested in any particular investment, which loss could have a significant adverse impact on the performance of such Reference Fund as a whole.

The Reference Funds may include investments in publicly traded companies listed on one of the stock exchanges around the world. Market prices and values of publicly traded securities may be volatile and are likely to fluctuate due to a number of factors that are beyond the control of the Reference Funds. The Reference Funds may also invest in listed securities and securities traded on the over-the-counter market, however, no assurance can be given that there is a liquid market for such securities. The administrator of the Reference Funds will make good faith determinations as to the fair value of these investments but the accurate valuations of such investments may be difficult to obtain so that as a result the value of such investments reflected in the Reference Fund's reported net asset value may be materially higher than the value realised on disposal.

Foreign Exchange

The Reference Funds may make investments in, and earn income denominated in, local currencies, certain of which might not freely convertible into other currencies. Exchange rate fluctuations and local currency devaluation could have a material effect on the net asset value of each Reference Fund.

Valuation of the Reference Funds

The units of the Reference Funds may only be redeemed by the relevant Reference Funds at the request of the unit-holders. Such redemption price is linked to the net asset value of the units, which is determined solely by the Management Company. In addition, the units have not been admitted to trading on any exchange and Pioneer Asset Management S.A. as the investment manager of the Reference Funds (the "**Management Company**") can decide in its sole discretion and in accordance with the applicable provisions of the Reference Fund Prospectus whether to register a person in the unit register as owner of such units. Therefore, the Management Company is both the only source of redemption of the units of the Reference Funds and the arbiter of pricing information of the Reference Funds. Because the Management Company is also the issuer of the fund units and the issuer of the fund units is obligated to redeem the units, the Management Company may have economic interests adverse to those of the unit-holders, including with respect to the determination of the net asset value of the Reference Funds as referred to above. The Management Company does not act as a fiduciary or adviser to any of the unit-holders in respect of such determination, and may act in its sole interest in making such determination.

Relationship with the Reference Funds

Neither the Issuer nor its affiliates are affiliated with any way with the Reference Funds, any of its service providers, or any party with the ability to control or predict the actions of the Reference Funds, including any corporate actions of the type that would qualify as an event that requires adjustment, such as a Merger Event or Potential Adjustment Event. In addition, investors should understand that they will have no rights to vote or otherwise exercise control over the Reference Funds. No investigation has been made of the financial condition or creditworthiness of the Reference Funds in connection with the issuance of the Notes. An investor in the Notes is advised to evaluate the same information concerning the Reference Fund as it would if it were investing directly in the Reference Funds; however, investors should understand that the historical performance of the Reference Funds should not be viewed as predictive of future results.

Certain factors affecting the value and trading price of Notes

The value of the Notes prior to maturity is expected to depend on a number of factors including the performance achieved by the Reference Funds included within the Portfolio from time to time, interest rates, volatility, time remaining to maturity and changes in the credit rating of the Issuer. The price at which a holder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the principal balance thereof, based upon one or more of the factors described below. The factors that will affect the trading value of the Notes interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Notes caused by another factor). Factors that may be expected to impact the value of the Notes, assuming other conditions remain constant, include:

Value of the Reference Funds

Prospective purchasers or investors should be aware that an investment in the Notes involves valuation risk as regards the Reference Funds included within the Portfolio from time to time. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from underlying securities and/or other assets and/or indices. The value of the Notes will depend substantially on the value of the Reference Funds included within the Portfolio and the Portfolio Weighting ascribed thereto at such time as such value is taken into account. Fluctuations in the value of the Reference Funds may affect the value of the Notes as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the Reference Funds may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors and speculation. The Reference Funds may invest in portfolios comprised of various assets and fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value of other assets which comprise the portfolio of such Reference Fund. The historical performance of the investments made by the Reference Funds will not necessarily be an indication of their future performance.

Interest Rates

The value of the Notes may be affected by changes in interest rates. Rising interest rates may lower the value of the Reference Funds, and thus the value of the Notes, while falling interest rates may increase the value of the Reference Funds and thus the value of the Notes.

Volatility of the Reference Funds

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

Time Remaining to Maturity

The Notes may trade at a value above that which would be expected based on the level of interest rates and the Portfolio Level. Any such difference will reflect a "time premium" resulting from expectations concerning the Portfolio Level during the period prior to the stated maturity of the Notes. As the time remaining to the stated maturity of the Notes decreases, this time premium may decrease, adversely affecting the value of the Notes.

Adjustments and Events affecting the Notes

Investors intending to purchase the Notes should note that an Extraordinary Fund Event, Potential Adjustment Event, Change in Law, Merger Event, Reference Fund Disruption Event or Hedging Disruption Event may occur in relation to the Notes in certain circumstances described in the Conditions. If any such event occurs in relation to the Notes, the Calculation Agent may, at its sole and absolute discretion, designate an Early Redemption Date in respect of the Notes and the Noteholders will receive the Early Redemption Amount equal to the Fair Market Value (which may be zero) based on the determinations made by the Calculation Agent.

The following events are specified to be applicable to the Notes:

- "Change in Law" may occur where the Calculation Agent determines it will or has become illegal for the Issuer to hedge its obligations under the Notes or where the Issuer or its designated affiliates would incur materially increased costs in performing its obligations under the Notes, each due to a change in law;
- "Merger Event" may occur if the Calculation Agent determines that (a) reclassification or change in the units of any Reference Fund result in the transfer or commitment to transfer all of such units outstanding, (b) consolidation, amalgamation or merger of the issuer of any Reference Fund with or into another entity (other than consolidation, amalgamation or merger in which such issuer is the continuing entity and which does not result in any such reclassification or change of all of such shares outstanding) or (c) other takeover offer for such shares that results in a transfer of or an irrevocable commitment to transfer all such shares (other than such shares owned or controlled by the offeror);
- "Reference Fund Disruption Event" may occur if the Calculation Agent determines that there has been a postponement of the date as of which the relevant Reference Fund is scheduled to determine the net asset value of such Reference Fund for the purposes of calculating the redemption proceeds, the occurrence or continuation of a postponement of the reporting by the relevant Reference Fund of the net asset value of the relevant Reference Fund; and/or the occurrence or continuation of a postponement in the payment of any or all of the redemption proceeds relating to the shares or units in the relevant Reference Fund;
- "Hedging Disruption Event" may occur if the Issuer or its affiliates become unable to hedge or would suffer material delay in conducting any hedging transactions relating to the Notes; and
- "Extraordinary Fund Event" may occur where the Calculation Agent determines that any of the following has occurred or exists:
 - (a) breach or violation of the provisions of certain Reference Fund documents that is reasonably likely to affect the value of the relevant Reference Fund;

- (b) the non-execution or partial execution by any of the Reference Funds for any reason of a subscription or redemption order in respect of any units in the relevant Reference Fund;
- (c) a Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with jurisdiction over it; or (iv) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (iv) above;
- (d) the administration agent, the manager, the investment adviser or the custodian or the trustee, as applicable, of any of the Reference Funds ceases to act in such capacity as of such Reference Fund;
- (e) the failure by any Reference Fund to comply with its reporting obligations;
- (f) a material modification of any of the Reference Funds (including, but not limited to, the investment strategy, process, policies, programme, types of assets of the Reference Funds, trading practices);
- (g) the suspension of redemptions of units in any of the Reference Funds, any of the Reference Funds repurchases or compulsorily redeems any units in such Reference Fund or any of the Reference Funds imposes any restriction, of a redemption or issue of units in such Reference Fund;
- (h) any Reference Fund or such Reference Fund's investment adviser or manager has its authorisation or registration cancelled by any applicable regulatory authority; or
- (i) any Reference Fund or its investment adviser, manager or the administration agent of such Reference Fund (i) becoming subject to certain investigations, proceedings or litigation by any relevant governmental, legal or regulatory body; (ii) commits an act which constitutes fraud or criminal activity in the performance of its obligations in respect of such Reference Fund; (iii) makes any material misrepresentation under any document in respect of the relevant Reference Fund or (iv) announces its intention to cease the business of investment management.

Upon the occurrence of such an early redemption prior to the originally scheduled Maturity Date of the Notes, Noteholders may suffer loss of some or of all of their investment and will forgo any future appreciation in the value of the Reference Funds that may occur following such redemption.

Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes due to any withholding or deduction for or on account of United Kingdom tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. The amount payable by the Issuer in such circumstances may be less than the amount invested in the Notes or what would have been received under the Notes if the Notes had not been so redeemed. The Noteholders may not benefit from any appreciation in value of the Reference Funds that may occur following such redemption.

Payments may be reduced upon the occurrence of an event of default

If the Calculation Agent determines that the Notes have become immediately due and payable following an Event of Default with respect to the Notes, investors will not be entitled to the entire principal amount of the Notes, but only to the Early Redemption Amount equal to the Fair Market Value (which may be zero).

Illegality

The Noteholders are subject to the risk that if the Calculation Agent determines in its sole and absolute discretion that the performance of the Issuer's obligations under any Notes (or the Issuer's designated affiliates' obligations under any hedging or funding arrangement established in connection therewith)

shall have become unlawful or impracticable in whole or in part, including without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. Following such an illegality event, the Issuer may redeem the Notes against payment of an amount determined by the Calculation Agent at the Early Redemption Amount equal to the Fair Market Value (which may be zero) of the Notes immediately prior to such redemption. Noteholders may suffer a loss of some or all of their investment. As a result of early redemption, investors in the Notes will forgo any future appreciation in the value of the Reference Funds.

Discretionary Liquidity

Pursuant to Condition 18 (*Buy-Back Provision*), the Issuer intends to provide discretionary liquidity in respect of the Notes by purchasing the Notes. However, the Issuer is not obliged to purchase the Notes, and if it does so, it will have total discretion with regards to the terms, Buy-Back Amount and amount of such purchases and may levy redemption fees on the Buy-Back Amount.

Calculation Agent

Dependence upon the Calculation Agent

Investors in the Notes are highly dependent upon the Calculation Agent to calculate the Portfolio Level, the Early Redemption Amount (equal to the Fair Market Value, which may be zero), the Final Redemption Amount and to determine the Early Redemption Date and the Redemption Payment Date.

Methodology

The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the Notes. Any determination by the Calculation Agent will be in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to a calculation methodology as prescribed in the terms of the Notes, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

Potential conflicts of interests

Various potential and actual conflicts may arise between the interests of the Noteholders and the Issuer, as a result of the commercial and investment banking businesses and activities of the Issuer and its affiliates. The Issuer may recommend or effect a transaction in which it or any affiliate, or one of its other clients, may have an interest, relationship or arrangement that is material. In particular, the Issuer or any affiliate may deal as principal for its own account, to hedge liabilities under the Note or for other purposes, and may match a transaction or order with that of another client. Neither the Issuer nor any affiliate is under any duty to account for any profits, commission, remuneration, rebates or other benefits made or received as a result of such transaction or service. Further, the Issuer also acts in the capacity as Calculation Agent with regard to the Notes. The Calculation Agent is solely responsible for making certain determinations in the calculation of the Portfolio Level, the Early Redemption Amount equal to the Fair Market Value (which may be zero) and the Final Redemption Amount and other determinations and calculations in connection with the Notes, including determinations in connection with the occurrence of Extraordinary Fund Events, Potential Adjustment Events, a Change in Law, a Merger Event, Reference Fund Disruption Events and Hedging Disruption Events. Because the Issuer is obligated to redeem the Notes, the Issuer acting in its capacity as Calculation Agent may have economic interests adverse to those of the holders of the Notes, including with respect to certain determinations and judgements that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the Notes. In its capacity as Calculation Agent, HSBC Bank plc does not act as fiduciary for or an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise, and may act in its sole interest in making such determination or judgement.

Rebates, discounts, bonuses, commissions, remuneration and/or other benefits received by the Issuer in relation to the Reference Funds

The Issuer and/or any of its affiliates may from time to time receive rebates, discounts, bonuses, commissions, remuneration and/or other benefits from any of the Reference Funds and/or the management company of any of the Reference Funds in connection with its hedging of its obligations in respect of the Notes and/or otherwise. If the Issuer and/or any of its affiliates receives any such rebates, commissions, discounts, bonuses, remuneration and/or other benefits it shall be entitled to retain the same for its own account and is under no obligation to account for it to the Noteholders.

There is no active trading market for the Notes

The Notes will be new securities which may not be widely distributed and for which there is no active trading. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar Notes (as applicable), general economic conditions, commissions paid by the Issuer and the financial condition of the Issuer. Accordingly, the investor is subject to the risk that its investment in the Notes may be difficult or impossible to trade.

Notwithstanding Condition 18 (*Buy-Back Provision*) pursuant to which the Issuer intends to provide discretionary liquidity in respect of the Notes, it is not possible to predict whether any trading market for the Notes will develop or, if it does, the price at which Notes will trade in the secondary market or whether such market will be liquid or illiquid. If any Notes are not listed or traded on any exchange, pricing information for the Notes may be more difficult to obtain and the liquidity of the Notes may be adversely affected.

To the extent that Notes are redeemed or purchased and cancelled, the number of Notes outstanding will decrease, resulting in a lessening of the liquidity of the Notes. A lessening of the liquidity of the Notes may cause, in turn, an increase in the volatility associated with the price of the Notes. An investor in the Notes is subject to the risk, therefore, that to the extent that there is no liquid market in the Notes, an investor may have to wait until redemption of such Notes in order to realise the value of its investment and, as such, an investor should proceed on the assumption that it may have to bear the economic risk of an investment in the Notes until their maturity or exercise date (as applicable).

Commission and cost of hedging

The original issue price of the Notes may include the distribution commission or fee charged by the Issuer and/or its affiliates and the cost or expected cost of hedging the Issuer's obligations under the Notes. Accordingly, there is a risk that, upon issue, the price, if any, at which the Issuer or its affiliates would be willing to purchase Notes from the investor in the secondary market would be lower than the original issue price. Such fee, commission and cost of hedging may also be deducted from the redemption amount payable upon early redemption of the Notes. In addition, any such prices may differ from values determined by pricing models used by the Issuer or affiliates as a result of such compensation or other transaction costs.

Effect of general economic conditions on the Notes

The market for debt securities and structured products such as the Notes is influenced by economic and market conditions, interest rates, currency exchange rates and inflation rates in Europe and other countries and areas. There can be no assurance that events occurring elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes of that economic and market conditions will not have any other adverse effect.

Hedging activities of the Issuer and affiliates

The Issuer or its affiliates may carry out hedging activities related to the Notes, including purchasing units in the Reference Funds, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell units in the Reference Funds on a regular basis as part of their securities businesses. Any of these activities could potentially affect the value of the Portfolio and, accordingly, the value of the Notes.

Exchange rate risks and exchange control risks

The Issuer will pay amounts in respect of the Notes in the Denomination Currency (as referred to in the Final Terms). As a result thereof there are various potential exchange rate risks that investors in the Notes need to consider.

Investor converting amounts paid in the Settlement Currency into the Investor's Currency

If an investor anticipates that it will need to convert payments made under the Notes from the Denomination Currency into a currency of its choice (the "**Investor's Currency**") (for instance, if other obligations of the investor are payable in the Investor's Currency), then the investor is subject to the risk that the currency conversion rate which it must pay for exchanging the Denomination Currency into the Investor's Currency becomes less attractive and therefore decreases the realisable value of its investment.

An appreciation in the value of the Investor's Currency relative to the Denomination Currency at any time would decrease (i) the value any redemption or exercise amount (as applicable) payable to the investor and (ii) the market value of the Notes, in each case where converted into the Investor's Currency at that time. As a result, the amount that the investors receive in respect of the Notes, as converted, may be less than expected or zero.

Material risks involved in currency conversion

The material risks involved in the currency conversion include the risk that exchange rates may change significantly (including changes due to appreciation of the Investor's Currency relative to Denomination Currency). It is impossible to predict whether the value of one such currency relative to another will rise or fall during the term of the Notes.

Clearing systems

The Notes may be held by or on behalf of Euroclear and Clearstream, Luxembourg. While the Notes are represented by a global Note held by or on behalf of Clearstream, Luxembourg, investors will be able to trade their interests only through Euroclear and/or Clearstream, Luxembourg. Investors in the Notes will have to rely on procedures of such clearing systems for transfer, payment and communication with the Issuer to receive payments under the Notes. Investors are therefore subject to the risk of those settlement procedures failing such that payments due under the Notes may be delayed and that book entries or entries in the register are entered incorrectly which may lead to difficulties with an investor asserting ownership of its Notes.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the global Notes. Holders of interests in the global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

Change of law

The Conditions are based on English law and United Kingdom tax law in effect as at the date of this Prospectus. There is a risk that the interpretation and/or effect of the Conditions may be subject to change in such a manner as to adversely affect the contractual rights of Noteholders.

Modification, waiver and substitution

Investors in the Notes are subject to the risk that modifications to the Conditions of the Notes may be made without the consent of any Noteholders, where the Issuer determines that:

- the modification is not materially prejudicial to the interests of the Noteholders as a whole;
- where the modification of the Notes is of a formal, minor or technical nature or is made to correct a manifest error or comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or
- where the Conditions are inconsistent with the termsheet relating to the Notes.

There is a commercial risk that the obligations of the Noteholder will be owed by a principal debtor other than the Issuer. The Notes permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes, provided that the Issuer provides a guarantee.

Further and other issues

Subject to obtaining all necessary internal approvals, the Issuer is at liberty from time to time, without the consent of the Noteholders, to create and issue further notes so as to be consolidated with and form a single series with the outstanding Notes. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the Reference Funds. Such issues may have an adverse effect on the value of Notes.

Notes with multiple denominations

The Notes are specified as having a minimum denomination of EUR 100,000 plus integral multiples EUR 1,000. It is possible that such Notes may be traded in amounts in excess of EUR 100,000 that are not integral multiples of the minimum denomination. In such a case, should Definitive Notes be required to be issued, Noteholders who, as a result of trading such amounts, hold a principal amount that is less than the minimum denomination may not receive a Definitive Note in respect of such holdings and would need to purchase a principal amount of Notes such that their holding amounts to, or is an integral multiple of, the minimum denomination.

Banking Act 2009

As a UK bank, the Issuer is subject to a 'Special Resolution Regime' under the Banking Act 2009 which gives wide powers in respect of UK banks and their parent companies to HM Treasury, the Bank of England and the Prudential Regulation Authority in circumstances where a UK bank has encountered or is likely to encounter financial difficulties. These powers include powers to: (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include the Notes), to a commercial purchaser or, in the case of securities, to the Treasury or a Treasury nominee, or, in the case of property, rights or liabilities, to a Bank of England entity; (b) override any default provisions, contracts, or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain new insolvency procedures in relation to a UK bank; and (d) override, vary or impose contractual obligations between a UK bank or its parent and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. The Banking Act 2009 also gives power to the Treasury to make further amendments to the law by order for the purpose of enabling it to use the Special Resolution Regime powers effectively, potentially with retrospective effect.

Financial Services (Banking Reform) Act 2013 (the "Banking Reform Act")

The Banking Reform Act is expected to enter into force during the first half of 2014 and, among other things, will make certain changes to the Banking Act 2009 (the "**Banking Act**"), including the introduction of a bail-in option, and to the FSMA, including the introduction of provisions relating to the ring-fencing of deposit-taking and other core activities of UK institutions such as the Issuer. In particular,

- The bail-in option is introduced as an additional power available to the Bank of England, to enable recapitalisation of an institution which is failing or likely to fail, by allocating losses to its shareholders and unsecured creditors in a manner that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution, consistent with shareholders and creditors of financial institutions not receiving less favourable treatment than they would have done in insolvency. The bail-in option includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution and the power to convert a liability from one form to another. The conditions for use of the bail-in option are, in summary, that (i) the Prudential Regulation Authority determines that the bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (iii) the Bank of England determines that it is in the public interest to exercise the bail-in power.

- On 11 December 2013, European Parliament and Council Presidency negotiators reached political agreement on the proposed Recovery and Resolution Directive (the "**RRD**"). The RRD is expected to enter into force on 1 January 2015 and will introduce a bail-in principle which will apply from 1 January 2016. The UK Government has expressed confidence that the bail-in powers under the Banking Reform Act can be introduced without the risk of having to adapt to a radically different regime when the RRD is implemented.
- The bail-in option under the Banking Act would potentially apply to any debt and derivative securities issued by a bank under resolution, regardless of when they were issued, and would therefore potentially apply to the Notes.
- Despite there being pre-conditions for the exercise of the powers under the bail-in option, there remains uncertainty regarding the specific factors which the Bank of England would consider in deciding whether to exercise such powers with respect to the Issuer and the Notes. Moreover, as the Bank of England has considerable discretion in relation to how and when it may exercise such powers, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers and consequently its potential effect on the Notes.
- Details relating to the implementation of the ring-fencing provisions introduced by the Banking Reform Act remain subject to the passing of secondary legislation. A consultation on drafts of such secondary legislation has been completed and the UK Government has stated that it remains committed to having all secondary legislation necessary to implement the recommendations of the Independent Committee on Banking in relation to ring-fencing passed by the end of the current Parliament. However, until such final secondary legislation is passed there remains some uncertainty as to the detailed implementation of the ring-fencing provisions introduced by the Banking Reform Act.

The following risk factors relating to the Reference Funds have been extracted verbatim from the "Special Risk Considerations" section of the Reference Fund Prospectus and any references to "Sub-Funds" should be read as references to the Reference Funds.

"Special Risk Considerations

1. Emerging Market risks

In certain countries, there is the possibility of seizure of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investment in those countries. There may be less publicly available information about certain financial Instruments than some investors would find customary. Legal entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have for the most part, substantially less volume than more developed markets. Securities of many companies are less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, the manner in which foreign investors may invest in securities in certain countries, as well as limitations on such investments, may affect the investment operations of the Sub-Funds.

Emerging country debt will be subject to high risk, will not be required to meet a minimum rating standard and may not be rated for creditworthiness by any internationally recognised credit rating organisation. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result, a government obligor may default on its obligations. If such an event occurs, the Fund may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

Settlement systems in Emerging Markets may be less well organised than in developed markets. There may be a risk that settlement may be delayed and that cash or securities of the Sub-Funds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (the "**Counterparty**") through whom the relevant transaction is effected might result in a loss being suffered by Sub-Funds investing in emerging market securities.

The Fund will seek, where possible, to use Counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that the Fund will be successful in eliminating this risk for the Sub-Funds, particularly as Counterparties operating in Emerging Markets frequently lack the substance or financial resources of those in developed countries.

There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise in respect of securities held by or to be transferred to the Sub-Funds. Compensation schemes may be non-existent or limited or inadequate to meet the Fund's claims in any of these events.

In some Eastern European countries there are uncertainties with regard to the ownership of properties. As a result, investing in Transferable Securities issued by companies owning such property may be subject to increased risk.

Investments in Russia are subject to certain heightened risks with regard to the ownership and custody of securities. In Russia this is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Depositary). No certificates representing ownership of Russian companies will be held by the Depositary or any of its local correspondents or in an effective central depository system. As a result of this system and the lack of the effective state regulation and enforcement, the Fund could lose its registration and ownership of Russian securities through fraud, negligence or even mere oversight. In addition, Russian securities have an increased custodial risk associated with them as such securities are, in accordance with market practice, held in custody with Russian institutions which may not have adequate insurance coverage to cover loss due to theft, destruction or default whilst such assets are in its custody.

Some Sub-Funds may invest a significant portion of their net assets in securities or corporate bonds issued by companies domiciled, established or operating in Russia as well as, as the case may be, in debt securities issued by the Russian government as more fully described for each relevant Sub-Fund in its investment policy. Investments in Transferable Securities and Money Market Instruments which are not listed on stock exchanges or traded on a Regulated Market or on an Other Regulated Market in a Member or Other State within the meaning of the Law of 17 December 2010 which include Russian Transferable Securities and Money Market Instruments may not exceed 10% of the assets of the relevant Sub-Funds. The Russian markets might indeed be exposed to liquidity risks, and liquidation of assets could therefore sometimes be lengthy or difficult. However, investments in Transferable Securities and Money Market Instruments which are listed or traded on the Russian Trading System and the Moscow Interbank Currency Exchange are not limited to 10% of the assets of the relevant Sub-Funds as such markets are recognized as Regulated Markets.

The Russian Trading System was established in 1995 to consolidate separate regional securities trading floors into a unified regulated Russian securities market. It lists in particular leading Russian securities. The Russian Trading System establishes market prices for a wide range of stocks and bonds. The trading information is distributed worldwide through financial information services companies, such as Reuters and Bloomberg.

The Moscow Interbank Currency Exchange serves as a basis for the nationwide system of trading in the currency, stocks and derivatives sectors of the financial market, covering Moscow and Russia's largest financial and industrial centres. Jointly with its partners the MICEX-RTS Group (the MICEX-RTS Stock Exchange, the MICEX-RTS Settlement House, the National Depositary Center, regional exchanges and other), the MICEX-RTS provides settlement and clearing as well as depositary services for about 1500 organisations and participants in the stock market.

Frontier Market countries generally have smaller economies and even less developed capital markets than traditional Emerging Markets, and, as a result, the risks of investing in Emerging Markets are magnified

in Frontier Market countries. This is the result of many factors, including the potential for extreme price volatility and illiquidity; government ownership or control of parts of the private sector and certain companies; relatively new or undeveloped securities regulations; corruption; transparency, adequacy and reliability of financial information; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which the Frontier Markets trade. There are a limited number of attractive investment opportunities in Frontier Markets and this may lead to delay in investment and may increase the price at which such investments may be made and reduce potential investment returns for a Sub-Fund.

A Sub-Fund may also gain exposure to Frontier Markets by investing indirectly through Participatory Notes ("**P-Notes**") which presents additional risk to the Sub-Fund as the use of P-Notes is uncollateralised resulting in the Sub-Fund being subject to full counterparty risk via the P-Note issuer. P-Notes also present liquidity issues as the Sub-Fund, being a captive client of a P-Note issuer, may only be able to realise its investment through the P-Note issuer and this may have a negative impact on the liquidity of the P-Notes which does not correlate to the liquidity of the underlying security. The Management Company considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored for each Sub-Fund and reported on by the Investment Manager. The Management Company monitors the implementation and results of the investment process with the Investment Manager.

Finally, certain Sub-Funds may invest in bonds from countries which are now negotiating, or may in the future, negotiate accession to the EU, whose creditworthiness is usually lower than of government bonds issued by countries already belonging to the EU, but that can be expected to pay a higher coupon.

2. Investment in high yield or sub-Investment Grade securities

Some Sub-Funds may invest in high yield or sub-Investment Grade securities. Investment in such higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

3. Foreign exchange/ currency risk

Although different Classes of Units may be denominated in a specific Pricing Currency, the assets relating to that Class of Units may be invested in securities denominated in other currencies. The Net Asset Value of the Sub-Fund as expressed in its Base Currency will fluctuate in accordance with the changes in the foreign exchange rate between the Base Currency of the Sub-Fund and the currencies in which the Sub-Fund's investments are denominated. The Sub-Fund may therefore be exposed to a foreign exchange/currency risk. It may not be possible or practicable to hedge against the consequent foreign exchange/currency risk exposure.

Investment or Sub-Investment Managers may enter into currency transactions (within the limits set forth in Article 16. of the Management Regulations) at their sole discretion, for the purposes of efficient portfolio management and for the purposes of hedging. There can be no assurance that such hedging transactions will be effective or beneficial or that there will be a hedge in place at any given time.

4. Investment in currencies

Sub-Funds investing in currencies as a primary objective will seek to exploit the fluctuations in international currencies, through the use of foreign currency and interest rate derivatives. This means that a greater than normal currency risk may arise. In the short-term this may take the form of large, unpredictable fluctuations in the Unit price and in the long-term in a negative performance due to unforeseen currency or market trends.

5. Market risk

Some of the stock exchanges, Regulated Markets and Other Regulated Markets on which a Sub-Fund may invest may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the timing and price at which a Sub-Fund may liquidate positions to meet redemption requests or other funding requirements.

6. **Investment in mortgage-related securities and in asset-backed securities**

Certain Sub-Funds and in particular, the Bond Sub-Funds and the Short-Term Sub-Funds may invest in mortgage derivatives and structured notes, including mortgage-backed and asset-backed securities. Mortgage pass-through securities are securities representing interests in "pools" of mortgages in which payments of both interest and principal on the securities are made monthly, in effect "passing through" monthly payments made by the individual borrowers on the residential mortgage loans which underlie the securities.

Early or late repayment of principal based on an expected repayment schedule on mortgage pass-through securities held by the Sub-Funds (due to early or late repayments of principal on the underlying mortgage loans) may result in a lower rate of return when the Sub-Funds reinvest such principal. In addition, as with callable fixed-income securities generally, if the Sub-Funds purchased the securities at a premium, sustained earlier than expected repayment would reduce the value of the security relative to the premium paid. When interest rates rise or decline the value of a mortgage-related security generally will decline, or increase but not as much as other fixed-income, fixed-maturity securities which have no prepayment or call features.

Payment of principal and interest on some mortgage pass-through securities (but not the market value of the securities themselves) may be guaranteed by the U.S. Government, or by agencies or instrumentalities of the U.S. Government (which guarantees are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations). Certain mortgage pass-through securities created by non-governmental issuers may be supported by various forms of insurance or guarantees, while other such securities may be backed only by the underlying mortgage collateral.

Some Sub-Funds may invest in collateralised mortgage obligations ("**CMOs**"), which are structured products backed by underlying pools of mortgage pass-through securities. Similar to a bond, interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralised by whole residential or commercial mortgage loans but are more typically collateralised by portfolios of residential mortgage pass-through securities guaranteed by the U.S. Government or its agencies or instrumentalities. CMOs are structured into multiple classes, with each class having a different expected average life and/or stated maturity. Monthly payments of principal, including prepayments, are allocated to different classes in accordance with the terms of the instruments, and changes in prepayment rates or assumptions may significantly affect the expected average life and value of a particular class.

Some Sub-Funds may invest in principal-only or interest-only stripped mortgage-backed securities. Stripped mortgage-backed securities have greater volatility than other types of mortgage-related securities. Stripped mortgage-backed securities which are purchased at a substantial premium or discount generally are extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a sustained higher or lower than expected rate of principal payments may have a material adverse effect on such securities' yield to duration. In addition, stripped mortgage securities may be less liquid than other securities which do not include such a structure and are more volatile if interest rates move unfavourably.

As new types of mortgage-related securities are developed and offered to investors, the Investment Manager will consider making investments in such securities, provided they are dealt in on a recognised exchange.

Asset-backed Transferable Securities represent a participation in, or are secured by and payable from, a stream of payments generated by particular assets, most often a pool of assets similar to one another, such as motor vehicle receivables or credit card receivables, home equity loans, manufactured housing loans or bank loan obligations.

Finally these Sub-Funds may invest in collateralised loans obligations ("**CLOs**") with an underlying portfolio composed of loans.

7. **Structured products**

Sub-Funds may invest in structured products. These include interests in entities organised solely for the purpose of restructuring the investment characteristics of certain other investments. These investments are purchased by the entities, which then issue Transferable Securities (the structured products) backed

by, or representing interests in, the underlying investments. The cash flow on the underlying investments may be apportioned among the newly issued structured products to create Transferable Securities with different investment characteristics such as varying maturities, payment priorities or interest rate provisions. The extent of the payments made with respect to structured investments depends on the amount of the cash flow on the underlying investments.

Some Sub-Funds may also acquire, when it is in the best interests of the Unitholders, credit linked notes issued by first class financial institutions.

The use of credit-linked notes can overcome problems and mitigate certain risks associated with direct investment in the underlying assets.

Credit linked notes referenced to underlying securities, Instruments, baskets or indices, which a Sub-Fund may hold, are subject to both issuer risk and the risk inherent in the underlying investment.

When such credit linked notes will be traded on Regulated Markets, the Sub-Fund will comply with the investment limits described under Article 16.1.C. of the Management Regulations.

Should such credit linked notes be not traded on Regulated Markets, they would be treated as equivalent to Transferable Securities as further described in Article 16.1.B of the Management Regulations.

The investment limits will equally apply to the issuer of such Instrument and to the underlying asset.

Sub-Funds may also invest in indexed securities which are Transferable Securities linked to the performance of certain securities, indices, interest rates or currency exchange rates. The terms of such securities may provide that their principal amounts or just their coupon interest rates are adjusted upwards or downwards at maturity or on established coupon payment dates to reflect movements in various measures of underlying market or security while the obligation is outstanding.

Structured products are subject to the risks associated with the underlying market or security, and may be subject to greater volatility than direct investments in the underlying market or security. Structured products may entail the risk of loss of principal and/or interest payments as a result of movements in the underlying market or security.

8. Investment in distressed securities

Some Sub-Funds may invest in distressed securities. These securities may be the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal and/or payment of interest at the time of acquisition by the Sub-Fund or are rated in the lower rating categories (Ca or lower by Moody's or CC or lower by Standard & Poor's) or are unrated investments considered by the Investment Manager of the relevant Sub-Fund to be of comparable quality. Investment in distressed securities is speculative and involves significant risk. Distressed securities frequently do not produce income while they are outstanding and may require the Sub-Fund to bear certain extraordinary expenses in order to protect and recover its investment. Therefore, to the extent the Sub-Fund seeks capital appreciation through investment in distressed securities, the Sub-Fund's ability to achieve current income for its Unitholders may be diminished. The Sub-Fund also will be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganisation involving the distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganisation is adopted with respect to distressed securities held by the Sub-Fund, there can be no assurance that the securities or other assets received by the Sub-Fund in connection with such exchange offer or plan of reorganisation will not have a lower value or income potential than may have been anticipated when the investment was made. Further, any securities received by the Sub-Fund upon completion of an exchange offer or plan of reorganisation may be restricted from resale. As a result of the Sub-Fund's participation in negotiations with respect to any exchange offer or plan of reorganisation with respect to an issuer of distressed securities, the Sub-Fund may be restricted from disposing quickly of such securities.

9. Special risks of hedging and income enhancement strategies

Sub-Funds may engage in various portfolio strategies to attempt to reduce certain risks of its investments and enhance return. These strategies may include the use of options, forward foreign exchange contracts,

swaps, credit default swaps (hereinafter "Credit Default Swaps" as defined in Article 16.2 of the Management Regulations), interest rate swaps, equity swaps, swaptions, total return swaps, currency swaps and inflation-linked swaps, futures contracts and options thereon, including international equity and bond indices, as well as efficient portfolio management techniques, including securities lending and borrowing and repurchase and reverse repurchase transactions, as described in the Management Regulations.

The use of derivatives and efficient portfolio management techniques involves far higher risk than standard investment Instruments and may have an adverse impact on the performance of the Sub-Funds. There can therefore be no assurance that the relevant Sub-Fund's investment objectives will be achieved.

In addition, the use of derivatives and efficient portfolio management techniques involves particular risk, mainly associated with leverage, whereby large liabilities can be incurred using relatively small financial means. This is the risk associated with the use of relatively small financial resources to obtain a large number of commitments.

10. Special risk considerations for investors in the Equity Sub-Funds, investing in equities and equity-linked instruments

The buying and selling of equities and equity linked-instruments carries a number of risks, the most important being the volatility of the capital markets on which those securities are traded and the general insolvency risk associated with the issuers of equities, including index and basket certificates. Index and basket certificates rarely carry any entitlement to repayment of invested capital or to interest or dividend payments. The calculation of the reference index or basket usually takes account of cost and/or fees; and the repayment of invested capital is usually entirely dependent on the performance of the reference index or basket.

Although index and basket certificates are debt instruments, the risk they carry is inter alia an equity risk since the certificate performance depends on that of an index or basket which itself is dependent on the performance of its own components (e.g. securities). The value of certificates that inversely reflect the performance of their components may fall when markets rise. The risk that the relevant Sub-Fund may lose all or part of its value cannot be excluded.

Potential investors should be aware of the additional risks as well as of the general price risks when investing in shares. By picking equities on the basis of earning potential rather than country or origin or industry, performance will not depend on general trends.

Equity-linked instruments may comprise warrants, which confer on the investor the right to subscribe a fixed number of ordinary shares in the relevant company at a predetermined price for a fixed period. The cost of this right will be substantially less than the cost of the share itself. Consequently, the price movements in the share will be multiplied in the price movements of the warrant. This multiplier is the leverage or gearing factor. The higher the leverage is, the more attractive the warrant. By comparing, for a selection of warrants, the premium paid for this right and the leverage involved, their relative worth can be assessed. The levels of the premium and gearing can increase or decrease with investor sentiment.

Warrants are therefore more volatile and speculative than ordinary shares. Investors should be warned that prices of warrants are extremely volatile and that it may not always be possible to dispose of them. The leverage associated with warrants may lead to loss of the entire price or premium of the warrants involved.

11. Depository Receipts

Investment in a given country may be made via direct investments into that market or by depository receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. A depository receipt traded on an eligible market is deemed an eligible transferable security regardless of the eligibility of the market in which the security it relates to locally trades.

12. **Special risk considerations for investors in the European Potential and U.S. Mid Cap Value Sub-Funds**

In general the equity and equity-linked instruments of small and, as the case may be, medium capitalisation companies are less liquid than the securities of larger companies as daily volumes of shares traded may qualify their shares as less liquid. In addition, markets where such securities are traded tend towards increased volatility.

13. **Investments in specific countries, sectors, regions or markets**

Where an investment objective restricts investment to specific countries, sectors, regions or markets diversification may be limited. Performance may differ significantly from the general trend of the global equity markets.

14. **Investments in the property sector**

Investments in the securities of companies operating mainly in the property sector are subject to particular risks, such as the cyclical nature of property securities, general and local business conditions, excessive construction and growing competition, increasing property tax and management costs, population change and its impact on investment income, changes in building laws and regulations, losses arising from damage or court decisions, environmental risk, public law restrictions on rental, neighbourhood-related changes in valuation, interest rate risk, changes associated with the attractiveness of land to tenants, increases in use and other property-market influences.

15. **Investment in units or shares of UCIs or UCITS**

When investing in Units of some Sub-Funds of the Fund which in turn may invest in other UCIs or UCITS, the investors are subject to the risk of duplication of fees and commissions except that if a Sub-Fund invests in other UCIs or UCITS managed by the Management Company or sponsored by the promoter of the Fund, the Sub-Fund will not be charged any subscription and redemption fees with respect to such investment.

16. **Reinvestment of collateral received in connection with securities lending and repurchase transactions**

The Fund may reinvest the cash collateral received in connection with securities lending and repurchase transactions. In accordance with Article 16.2.(C) of the Management Regulations. Reinvestment of collateral involves risks associated with the type of investments made.

Reinvestment of collateral may create a leverage effect which will be taken into account for the calculation of the Fund's global exposure.

17. **Global Exposure**

The Fund must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions in its portfolios, the use of efficient portfolio management techniques, the management of collateral and their contribution to the overall risk profile of each Sub-Fund.

In relation to financial derivative instruments the Fund must employ a process for accurate and independent assessment of the value of OTC derivatives as referred to in Article 16 of the Management Regulations and the Fund shall ensure for each Sub-Fund that its global risk exposure relating to financial derivative instruments does not exceed the total net value of its portfolio.

The global risk exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

Each Sub-Fund may invest, according to its investment policy and within the limits laid down in Articles 16.1. and 16.2. of the Management Regulations in financial derivative instruments **provided that** the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in Article 16.1. of the Management Regulations.

The Fund may use Value at Risk ("VaR") in order to calculate the global risk exposure of each relevant Sub-Fund and to ensure that such global risk exposure relating to financial derivative instruments does not exceed the total Net Asset Value of such Sub-Fund.

Attention of Unitholders is drawn to the potential additional leverage which may result from the use of a VaR methodology to calculate the global risk exposure relating to financial derivative instruments for the relevant Sub-Fund.

When a Sub-Fund invests in index-based financial derivative instruments, these investments do not necessarily have to be combined to the limits laid down in Article 16.1. item C. (a) (1)-(5), (8), (9), (13) and (14) of the Management Regulations.

When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this Section.

18. Sub-underwriting

The Investment Manager may engage in sub-underwriting transactions on behalf of a Sub-Fund. In an underwriting transaction a bank, stock-broker, major shareholder of the company or other related or unrelated party may underwrite an entire issue of securities. A Sub-Fund may in turn sub-underwrite a portion of that issue of securities pursuant to a sub-underwriting transaction. The Investment Manager may only engage in sub-underwriting in relation to securities which the relevant Sub-Fund could otherwise invest in directly in accordance with the investment objective and policies of the sub-fund and the relevant investment restrictions. A Sub-Fund must maintain at all times sufficient liquid assets or readily marketable securities to cover its obligations under any sub-underwriting arrangements.

19. Investment in financial derivative instruments

Some Sub-Funds may invest a portion of their assets in financial derivative instruments. The risks posed by such instruments and techniques, which can be extremely complex and may involve leverage, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset); (3) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by an inability prematurely to terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivative techniques involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because a percentage of the portfolio's assets is segregated to cover its obligations. In hedging a particular position, any potential gain from an increase in value of such position may be limited.

20. Short Positions

A Sub-Fund may use financial derivative instruments to implement synthetic short positions. The relevant Sub-Fund may not necessarily off-set such short positions with corresponding long positions. Taking short positions involves leverage of the Sub-Fund's assets and presents various risks. If the price of the instrument or market which the Sub-Fund has taken a short position on increases, then the Sub-Fund will incur a loss equal to the increase in price from the time that the short position was entered into plus any premiums and interest paid to a counterparty. Therefore, taking short positions involves the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment.

21. **Counterparty Risks**

Some Sub-Funds may enter into OTC derivative agreements, including swap agreements, as well as efficient portfolio management techniques as more fully described in their investment policy. Such agreements may expose the relevant Sub-Fund to risks with regard to the credit status of its counterparties and their capacity to meet the conditions of such agreements.

Consistent with best execution and at all times when it is in the best interests of the Sub-Fund and its Unitholders, a Sub-Fund may also enter into such OTC derivative agreements and/or efficient portfolio management techniques with other companies in the same Group of Companies as the Management Company or Investment Manager.

The Sub-Fund is subject to the risk that the counterparty might not fulfil its obligations under the agreement concerned. The default risk arising from such transactions may, however, not exceed 10% of the net assets if the counterparty is a credit institution. In all other cases, the limit is a maximum of 5% of the Net Asset Value of each Sub-Fund.

22. **Custody Risk**

Sub-Fund assets are deposited with the Depositary and identified in the Depositary's books as belonging to the respective Sub-Funds. Assets, except cash, are segregated from other assets of the Depositary which mitigates but does not prevent the risk of non-restitution in the event of bankruptcy of the Depositary. Cash deposits are not segregated in this way and therefore exposed to increased risk in the event of bankruptcy.

Sub-Fund assets are also held by sub-custodians appointed by the Depositary in countries where the Sub-Funds invest and, notwithstanding compliance by the Depositary with its legal obligations, are therefore exposed to the risk of bankruptcy of those sub-custodians. A Sub-Fund may invest in markets where custodial or settlement systems are not fully developed, where assets are held by a sub-custodian and where there may be a risk that the Depositary may have no liability for the return of those assets.

23. **Investment Management and opposing positions**

The Investment Manager, or another member of the group of companies to which it belongs, may make investment decisions, undertake transactions and maintain investment positions for one or more clients that may impact the interests of other clients and that may pose a conflict of interest for the Investment Manager, particularly if the company and / or its staff earn higher compensation from one mandate, product or client than for another. Such conflicts, for instance, are present when the Investment Manager, or another member of the group of companies to which it belongs, buys and sells the same security at the same time for different clients or maintains market positions in the same instruments with market exposure in opposite directions at the same time for different clients. The Investment Manager and individual portfolio managers may manage long only, long-short or short only mandates where such conflicts of interest may be especially prevalent. Such investment decisions, transactions or positions are taken, made and maintained in accordance with established policies and procedures designed to ensure an appropriate aggregation and allocation of trades and investment decisions executed or taken without creating undue advantage or disadvantage to any of the Investment Manager's mandates, products or client's and in line with the relevant mandates and investment guidelines for such clients.

In certain situations though, management of these conflicts may result in a loss of investment opportunity for clients or may cause the Investment Manager to trade or maintain market exposures in a manner that is different from how it would trade if these conflicts were not present, which may negatively impact investment performance.

24. **Conflicts of Interest**

The Management Company or its affiliates may effect transactions in which the Management Company or its affiliates have, directly or indirectly, an interest which may involve a potential conflict with the Management Company's duty to a Sub-Fund. Neither the Management Company nor any of its affiliates shall be liable to account to the Sub-Fund for any profit, commission remuneration made or received from or by reason of such transactions or any connected transactions nor will the Management Company's fees, unless otherwise provided, be adjusted. The Management Company will ensure that such transactions are effected on terms which are no less favourable to the Sub-Fund than if the potential

conflict had not existed. Such potential conflicting interests or duties may arise because the Management Company or its affiliates may have invested directly or indirectly in the Fund. More specifically, the Management Company, under the rules of conduct applicable to it, must try to avoid conflicts of interests and, when they cannot be avoided, ensure that its clients (including the Sub-Fund) are fairly treated.

25. **Securities Lending**

Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Sub-Fund may lose money and there may be a delay in recovering the lent securities. The Sub-Fund could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. A Sub-Fund's portfolio exposure to market risk will not change by engaging in securities lending. However, securities lending carries the specific market risk of the counterparty defaulting. In such a case, the collateral provided will need to be sold and the lent securities repurchased at the prevailing price, which may lead to a loss in value of the individual Sub-Funds. Securities lending also carries operational risks such as the non-settlement of instructions associated with securities lending. Such operational risks are managed by means of procedures, controls and systems implemented by the securities lending agent and the Management Company.

26. **Withholding Tax Risk**

Certain income of the Fund and/or various Sub-Funds may be subject to withholding taxes, and any such taxes will reduce the return on the investments held by the Sub-Fund. However, the Fund and/or various Sub-Funds (through the Management Company or its agents) may need to receive certain information from an investor for the Fund and the Sub-Fund to avoid certain withholding taxes. In particular, Foreign Account Tax Compliance Act ("**FATCA**") recently adopted in the United States will require the Fund (or the Management Company) to obtain certain identifying information about its investors and potentially provide that information to the United States Internal Revenue Service. Subject to certain transition rules, investors that fail to provide the Management Company or its agents with the requisite information will be subject to a 30% withholding tax on distributions to them and on proceeds from any sale or disposition. Any such withholding taxes imposed will be treated as a distribution to the investors that failed to provide the necessary information. In addition, Units held by such investors shall be subject to compulsory redemption."

Risks relating to taxation of the Notes

UK stamp duty and stamp duty reserve tax in relation to Notes

Transactions involving Notes may be subject to United Kingdom stamp duty or stamp duty reserve tax, and are subject to the risk that instruments effecting or evidencing transfers of Notes and executed in the United Kingdom may not be admissible in evidence in civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom is also subject to the risk that it may be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.

In certain circumstances a portion of payments made on or with respect to Notes may be subject to U.S. reporting obligations which, if not satisfied, may require U.S. tax to be withheld

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for

such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

Meetings of Noteholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority, so investors in the Notes are subject to the risk that the Conditions may be modified without their consent.

INCORPORATION BY REFERENCE

This section provides details of the documents incorporated by reference which form part of this Prospectus and which are publicly available.

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus, save that any documents incorporated by reference in any of the documents set forth below do not form part of this Prospectus:

- (a) the registration document of the Issuer dated 16 April 2013 submitted to and filed with the FCA pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**");
- (b) the 2012 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2012 submitted to and filed with the UK Listing Authority (the "**2012 Annual Report and Accounts**"); and
- (c) the 2013 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2013 submitted to and filed with the UK Listing Authority (the "**2013 Annual Report and Accounts**") and the additional financial information document in relation to the year ended 31 December 2013 submitted to and filed with the UK Listing Authority (the "**Additional Information**", and, together with the 2013 Annual Report and Accounts and the 2012 Annual Report and Accounts, the "**Financial Information**"),

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Prospectus is prepared modifies or supersedes such statement.

Any documents incorporated by reference in the Registration Document or the Financial Information do not form part of this Prospectus. In respect of any document that is incorporated by reference in part only, the non-incorporated parts of such document are either not relevant for the investor or are covered elsewhere in this Prospectus.

The Issuer will at its registered office and at the offices of the Principal Paying Agent make available for inspection during normal business hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Prospectus (or any document incorporated by reference in this Prospectus and any future filings or financial statements published by the Issuer). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent. Additionally, this Prospectus and all the documents incorporated by reference herein will be available for viewing at www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities'). For the avoidance of doubt, any websites referred to in this Prospectus or any information appearing on such websites and pages do not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes (the "Conditions") which are completed by the Final Terms. The Conditions will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Form of Notes and Summary of Provisions Relating to the Notes while in Global Form".

The EUR 30,000,000 Fund-Linked Notes (the "Notes") are issued by HSBC Bank plc (the "Issuer") pursuant to a programme for the issuance of notes and warrants (the "Programme") established by the Issuer and are constituted by, and have the benefit of, a deed of covenant dated 27 July 2011 (the "Deed of Covenant"). The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006, 2 August 2006, 2 August 2007, 31 July 2008, 30 July 2009, 27 April 2010, 27 July 2010, 27 July 2011, 19 June 2012 and 18 June 2013 (as further modified and/or amended from time to time, the "Master Note Issuance Agreement") and made between the Issuer and HSBC Bank plc as dealer (the "Dealer", which expression shall include any successor Dealer) and an issuing and paying agency agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006, 2 August 2006, 2 August 2007, 31 July 2008, 30 July 2009, 27 April 2010, 27 July 2010, 27 July 2011, 19 June 2012 and 18 June 2013 (as further modified and/or amended from time to time, the "Issuing and Paying Agency Agreement") and made between the Issuer, HSBC Bank plc (HSBC Bank plc being the "Calculation Agent" with respect to the Notes, which expression includes any successor or other Calculation Agent appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc as the principal paying agent (HSBC Bank plc being the "Principal Paying Agent", which expression shall include any additional or successor or other Principal Paying Agent appointed pursuant to the Issuing and Paying Agency Agreement, together with any additional paying agent appointed pursuant to the Issuing and Paying Agency Agreement, the "Paying Agents"), HSBC Bank plc as issue agent (HSBC Bank plc being the "Issue Agent", which expression shall include any additional or successor or other Issue Agent appointed pursuant to the Issuing and Paying Agency Agreement) and the other parties specified therein.

The Notes are the subject of a final terms dated 7 April 2014 (the "Final Terms"), which must be read together with these Conditions.

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the Deed of Covenant are available for inspection by Noteholders (as defined below) during normal business hours at the specified office of the Issuer and of the Paying Agent in London. Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Issuing and Paying Agency Agreement, the Deed of Covenant and the Master Note Issuance Agreement which are applicable to them.

Words and expressions defined in the Master Note Issuance Agreement or the Issuing and Paying Agency Agreement or used in the Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between any of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the Final Terms, the Final Terms will prevail.

1. Definitions

As used in these Conditions, the following expressions shall have the following meanings:

"**Adjustment Factor**" means 0.43% multiplied by the number of days from (and including) the Initial Valuation Date, to (but excluding) the relevant Valuation Date, divided by 360;

"**Business Day**" means:

- (a) for settlement purposes, a Euro Business Day (other than a Saturday or Sunday) and a day on which commercial banks and foreign exchange markets settle payments generally in London and on which the Clearing Systems are open for business; and
- (b) for all other purposes, any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Luxembourg and Tokyo;

"Buy-Back Amount" means, in relation to any Buy-Back Request pursuant to Condition 18 (*Buy-Back Provision*), an amount per Calculation Amount determined by the Calculation Agent in its sole and absolute discretion in accordance with the following formula:

$$\text{Calculation Amount} \times \left(\frac{\text{Portfolio Level}_{\text{Buy-Back}}}{\text{Portfolio Level}_{\text{Initial}}} - \text{Early Unwind Fee} \right)$$

where:

"Portfolio Level_{Buy-Back}" means, in relation to any Buy-Back Request, the Portfolio Level as determined by the Calculation Agent as of such Valuation Day following receipt by the Issuer of such Buy-Back Request, as the Calculation Agent in its absolute discretion selects, and taking into account the redemption proceeds (if any) which a Hypothetical Investor would have received by no later than the Final Cut-off Date assuming that it had submitted a timely redemption request in respect of the Buy-Back Request, together with any reasonable costs and expenses of the Issuer and/or any affiliate of the Issuer of unwinding any underlying and/or related hedging and/or funding arrangements; and

"Portfolio Level_{Initial}" means the Portfolio Level for the Initial Valuation Date, which is 100%;

"Buy-Back Settlement Date" means, in relation to any Buy-Back Request pursuant to Condition 18 (*Buy-Back Provision*), the date designated by the Issuer on which the Buy-Back Amount per Calculation Amount is payable. Any Buy-Back Payment Date so designated by the Issuer shall also be subject to postponement in accordance with any delay in receiving all of the redemption proceeds which a Hypothetical Investor would have experienced if it had submitted a timely notice for redemption of a relevant number of Reference Funds in respect of the Buy-Back Request;

"Calculation Amount" means the amount in the Denomination Currency specified as such in the Final Terms;

"Change in Law" means a determination by the Calculation Agent that:

- (a) any arrangements made to hedge the Issuer's obligations under the Notes have or will (i) become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any government, administrative, legislative or judicial authority or power (a "**Law**"), or in the interpretation of a Law or (ii) be materially adversely affected by the introduction of or any change in (or in the interpretation, administration or application of) any Law (including, for the avoidance of doubt, a reduction in the rate of return of the Issuer's overall capital, an additional or increased cost or the imposition of any taxes, duties, assessments or government charges of whatever nature); or
- (b) it has, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the promulgation of regulations thereunder or the interpretation of such laws and/or regulations by relevant authorities (together, the "**Dodd-Frank Act**") or otherwise become illegal for the Issuer and affiliates of the Issuer to hold interests in any of the Reference Funds or any related assets or (ii) the Dodd-Frank Act makes holding such assets by the Issuer or affiliates of the Issuer (in the amounts they determine necessary to hedge their respective obligations) illegal or inadvisable, or materially increases the costs of holding such assets;

"Clearing Systems" means Euroclear and Clearstream, Luxembourg;

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*, Luxembourg;

"Deemed Valuation Date" means, in respect of any Valuation Date, the earliest to occur of (i) the day which is 10 Business Days prior to an Early Redemption Date (if one has been designated) and (ii) the Final Cut-off Date;

"Denomination Currency" means the currency of denomination of the Notes specified as such in the Final Terms;

"Disrupted Day" means any Valuation Date on which a Reference Fund Disruption Event is continuing;

"Early Redemption Amount" means, in relation to each Note, the amount which the Calculation Agent in its sole and absolute discretion determines to be the Fair Market Value of such Note;

"Early Redemption Date" means the date designated by the Issuer on which the Early Redemption Amount is payable. Any Early Redemption Date so designated by the Issuer shall also be subject to postponement in accordance with any delay in receiving all of the redemption proceeds which a Hypothetical Investor would have experienced if it had submitted a timely notice for redemption of a relevant number of Reference Funds in respect of the Valuation Date immediately preceding the relevant Early Redemption Date;

"Early Unwind Fee" means, in relation to a Buy-Back Request pursuant to Condition 18 (*Buy-Back Provision*), made during any period the percentage amount specified in the table below opposite such period:

Year 1: 0.86%

Year 2: 0.43%

Year 3: 0%

where:

"Year 1" means the period from and including the Issue Date to and excluding the first anniversary of the Issue Date;

"Year 2" means the period from and including the first anniversary of the Issue Date to and excluding the second anniversary of the Issue Date; and

"Year 3" means the period from and including the second anniversary of the Issue Date to and excluding the Final Valuation Date;

"Euro", "euro", "EUR" each means the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty;

"Euro Business Day" or **"TARGET Business Day"** means a day on which TARGET2 is open for settlement of payments in euro;

"Euroclear" means Euroclear Bank S.A./N.V.;

"Extraordinary Fund Event" means with respect to any Reference Fund, in the determination of the Calculation Agent, the occurrence or existence of any of the following on or prior to the Final Valuation Date:

- (a) any breach or violation of the provisions of the Reference Fund Prospectus or any other relevant fund document including, but not limited to, the constitutive and governing documents of the relevant Reference Fund, the subscription agreements and other agreements of the relevant Reference Fund, any agreement with respect to the Reference Fund entered into by the Issuer with each Reference Fund and/or any of its service providers, any strategy or investment guidelines, and any agreement entered into by the relevant Reference Fund and/or its service providers that is reasonably likely to affect the value of the relevant Reference Fund;
- (b) the non-execution or partial execution by any of the Reference Funds for any reason of a subscription or redemption order in respect of any units in the relevant Reference Fund given by a Hypothetical Investor (whether or not in accordance with the relevant Reference Fund Prospectus);

- (c) such Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) through (v) above;
- (d) the administration agent, the manager, the investment adviser or the custodian or the trustee, as applicable, of any of the Reference Funds ceases to act in its capacity as administrator or manager of or adviser or custodian or trustee of such Reference Fund, as the case may be;
- (e) a material modification of the investment programme, investment objectives, investment policies, investment strategy, investment process or investment guidelines of any of the Reference Funds;
- (f) the failure by any Reference Fund to comply with its reporting obligations (including, without limitation, any periodic reporting of the estimated net asset value of such Reference Fund, periodic statements thereof, return numbers and composition of such Reference Fund and the allocation of capital for such Reference Fund (where applicable)) in accordance with any agreement with the Issuer or its affiliates;
- (g) a material modification (other than any modifications referred to in paragraph (e) above) of any of the Reference Funds (including but not limited to a modification of the Reference Fund Prospectus or the articles of association or other constitutional documents of such Reference Fund) or the occurrence of a change or any event materially affecting any of the Reference Funds (including, but not limited to, the interruption, breakdown or suspension of the calculation of the net asset value of such Reference Fund unless such interruption, breakdown or suspension is cured within two Business Days);
- (h) a material modification of the type of assets in which the relevant Reference Fund invests or the trading practices of the relevant Reference Fund (including but not limited to a material deviation from the investment policy and investment objectives set out in the Reference Fund Prospectus) which, in the determination of the Calculation Agent, has or is likely to have a material effect on any hedging arrangements entered into by the Issuer or any of its affiliates in respect of these Notes;
- (i) the suspension of redemptions of units in any of the Reference Funds or (ii) any of the Reference Funds repurchases or compulsorily redeems any units in such Reference Fund or (iii) any of the Reference Funds imposes any restriction, charge or fee in respect of a

redemption or issue of units in such Reference Fund (other than any restriction, charge or fee in existence as at the Initial Valuation Date);

- (j) the relevant Reference Fund or its investment adviser or manager has its authorisation or registration cancelled by any applicable regulatory authority;
- (k) the relevant Reference Fund or the investment adviser, manager or the administration agent of such Reference Fund (i) becomes subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund, investment adviser, manager or administration agent; (ii) commits an act which constitutes fraud or criminal activity in the performance of its obligations in respect of such Reference Fund; (iii) makes any material misrepresentation under any document in respect of the relevant Reference Fund; or (iv) announces its intention to cease the business of investment management; or
- (l) a Reference Fund Disruption Event has occurred and is continuing for at least three consecutive Business Days;

"Fair Market Value" means, in relation to any Note which is to be redeemed early, its fair market value immediately prior to the Early Redemption Date, as determined by the Issuer (acting in good faith and in a commercially reasonable manner) and/or the Calculation Agent (acting in a commercially reasonable manner), as applicable. When determining the Fair Market Value, the Calculation Agent may also take into account the redemption proceeds (if any) which a Hypothetical Investor would have received by no later than the Final Cut-off Date assuming that it had submitted a timely redemption request in relation to the Portfolio in respect of the scheduled Early Redemption Date (or any earlier date designated by the Calculation Agent), together with any reasonable costs and expenses of the Issuer and/or any affiliate of the Issuer of unwinding any underlying and/or related hedging and/or funding arrangements;

"Final Cut-off Date" means in relation to:

- (a) the Final Valuation Date or the Redemption Payment Date, the date which is one year after the Scheduled Maturity Date; and
- (b) an Early Redemption Date or a Buy-Back Settlement Date, the date which is one year after the scheduled settlement date for such Early Redemption Date or Buy-Back Settlement Date;

"Final Redemption Amount" means an amount per Calculation Amount determined by the Calculation Agent in its sole and absolute discretion in accordance with the following formula:

$$\text{Calculation Amount} \times \text{Max} \left[0, \left(\frac{\text{Portfolio Level}_{\text{Final}}}{\text{Portfolio Level}_{\text{Initial}}} \right) \right]$$

where:

"Portfolio Level_{Final}" means the Portfolio Level for the Final Valuation Date as determined by the Calculation Agent; and

"Portfolio Level_{Initial}" means the Portfolio Level for the Initial Valuation Date, which is 100%;

"Final Valuation Date" means the Valuation Date falling on 7 April 2017 (the **"Scheduled Final Valuation Date"**), subject to the occurrence of a Reference Fund Disruption Event;

"Force Majeure Event" means any event or circumstance which is beyond the control of the Issuer, and is not reasonably foreseeable and, upon its occurrence, cannot be reasonably avoided nor reasonably overcome, including (but not limited to): flood, earthquake, any natural or human disaster, armed conflict, terrorism, riot, fire, insurrection, outbreak of epidemic, strike or work stoppage, governmental requisition/ confiscation, change in (or a change in the interpretation of) any relevant rule, law, regulation, judgment, order or directive of any governmental,

administrative, legislative or judicial authority or power, sudden loss of electricity, abnormal trading, suspension or stoppage of any relevant stock exchange, electronic trading or clearing system and/ or any other unexpected event or circumstance of a similar nature;

"Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

"Fund Selection Agent Agreement" means the reference fund selection agent agreement dated 1 April 2014 and made between the Reference Fund Selection Agent and the Issuer, as the same may be amended and/or supplemented from time to time;

"Hedging Disruption Event" means any event or circumstance which means the Issuer is unable to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any asset it deems necessary or appropriate to hedge its risk of entering into and performing its obligations with respect to the Notes or any related transaction, or would incur a materially increased amount (as compared with circumstances existing on the Issue Date) of tax, duty, expense or fees (other than brokerage commissions) to do so;

"Hypothetical Investor" means an investor in interests in the Reference Funds, domiciled in the United Kingdom;

"Issue Date" means the date specified as such in the Final Terms;

"local banking day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Paying Agent to which the relevant Note is presented for payment is located;

"London Business Day" means any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

"Maturity Date" means the later of (i) 21 April 2017 (the **"Scheduled Maturity Date"**) and (ii) the earlier of (a) 10 Business Days following the Redemption Payment Date and (b) the Final Cut-off Date;

"Merger Event" means in respect of units of any Reference Fund and as determined by the Calculation Agent, the occurrence on or prior to the Final Valuation Date of any (a) reclassification or change of such units that results in a transfer of or an irrevocable commitment to transfer all of such units outstanding, (b) consolidation, amalgamation or merger of the issuer of any Reference Fund with or into another entity (other than consolidation, amalgamation or merger in which such issuer is the continuing entity and which does not result in any such reclassification or change of all of such units outstanding) or (c) other takeover offer for such units that results in a transfer of or an irrevocable commitment to transfer all such units (other than such units owned or controlled by the offeror);

"Minimum Adjustment Notice Period" means, in relation to any Portfolio Recomposition, the greater of (i) 5 Business Days prior to the last Valuation Date in a calendar month and (ii) such period in order for redemption and subscription requests contemplated in the relevant Reference Basket Adjustment Notice to be effected on the last Valuation Date in such calendar month;

"Normal Market Conditions" means, in relation to Condition 18 (*Buy-Back Provision*), a the determination of the Calculation Agent, in its sole discretion, that no Force Majeure Event or Hedging Disruption Event has occurred or is continuing;

"Portfolio" means a notional portfolio maintained in the books and records of the Issuer comprising a notional investment in Reference Funds with allocations determined by the Reference Fund Selection Agent;

"Portfolio Level" means, in relation to each Valuation Date, a percentage determined by the Calculation Agent as being equal to the product of:

- (a) the Portfolio Level on the most recent Portfolio Recomposition Date (or, if none, the Initial Valuation Date, being 100%), less the Recomposition Fee (if any); and
- (b) the aggregate sum of, for each of the Reference Funds, the product of (i) the current Portfolio Weighting as determined by the Reference Fund Selection Agent and (ii) the ratio of (A) the Reference Fund Value on the Valuation Date divided by (B) the Reference Fund Value as at the most recent Portfolio Recomposition Date (or, if none, the Initial Valuation Date), *less* the Adjustment Factor;

"Portfolio Recomposition Date" means, in relation to any Portfolio Recomposition, the first Valuation Date on which the Calculation Agent determines that a Hypothetical Investor would have been able to make a valid subscription (or redemption) into (or from) the relevant Reference Funds in accordance with the terms of the Reference Fund Prospectus;

"Portfolio Weighting" means, initially, the weightings for each Reference Fund originally specified by the Fund Selection Agent as set out in the Schedule to the Final Terms, and thereafter, as notified by the Reference Fund Selection Agent to the Issuer pursuant to any Reference Basket Adjustment Notice given in accordance with Condition 15 (*Portfolio Recomposition*);

"Potential Adjustment Event" means the occurrence at any time, in the determination of the Calculation Agent, on or prior to the Final Valuation Date of:

- (a) a subdivision, reclassification, reorganisation, consolidation, increase, reduction by cancellation of the units of any Reference Fund (other than that constituting a Merger Event), or, a free distribution or dividend of any such units to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution or dividend to existing holders of the such units of (i) such units, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such units equally or proportionately with such payments to holders of such units, or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend;
- (d) a call by the issuer of such units in respect of units that are not fully paid;
- (e) a repurchase by the issuer of such units whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) any other similar event;

"Recomposition Fee" means, in relation to any Portfolio Recomposition Date, 0% if such Portfolio Recomposition Date is one of the first two Portfolio Recomposition Dates of the Portfolio in a Reference Calendar Year and 0.25% if such Portfolio Recomposition Date is a subsequent Portfolio Recomposition Date in such Reference Calendar Year;

"Redemption Payment Date" means the date that is 10 days after the date on which the Hypothetical Investor would actually receive all of the redemption proceeds, in relation to the Portfolio, if it had submitted a timely notice for redemption in respect of the Final Valuation Date;

"Reference Basket Adjustment Notice" means a written notice given by the Reference Fund Selection Agent to the Issuer in accordance with Condition 15 (*Portfolio Recomposition*);

"Reference Calendar Year" means each calendar year from (and including) the Issue Date to (but excluding) the Final Valuation Date;

"Reference Funds" means the funds set out in the table in the Schedule to the Final Terms (*Reference Funds*) and any reference to a "Reference Fund" is to any one of them;

"Reference Fund Disruption Event" means, with respect of any of the Reference Funds, in the determination of the Calculation Agent the occurrence or existence on any day of:

- (a) a postponement of the date as of which the relevant Reference Fund is scheduled, according to the documentation governing such Reference Fund, to determine the net asset value of such Reference Fund for the purposes of calculating the redemption proceeds to be paid to a Hypothetical Investor that has submitted a timely and valid notice for redemption; or
- (b) the occurrence or continuation of a postponement of the reporting by the relevant Reference Fund to its investors or, if applicable, the publishing by the relevant Reference Fund or the relevant publishing service, in each case of the net asset value of the relevant Reference Fund; and/or
- (c) the occurrence or continuation of a postponement in the payment of any or all of the redemption proceeds relating to units in such Reference Fund (whether or not in accordance with the Reference Fund Prospectus);

"Reference Fund Prospectus" means the Prospectus dated August 2013 and Management Regulations dated 7 August 2013 of Pioneer Funds, as the same may be updated and amended from time to time;

"Reference Fund Selection Agent" means ING Pension Insurance Company EAD;

"Reference Fund Value" means, in relation to any Valuation Date and any Reference Fund, the value of such Reference Fund as determined by the Calculation Agent taking into account the subscription or redemption proceeds that would be received by the Hypothetical Investor had the Hypothetical Investor provided timely notice (in accordance with the Reference Fund Prospectus) to such Reference Fund and any other party necessary to effect a redemption or other disposition or a subscription or other acquisition (as applicable) of some or all of an investment in interests in the Reference Fund for such Valuation Date, net of any accrued management, load, administrative and any other fees, costs or adjustments and net of any taxes which may be withheld or applied by such Reference Fund in connection with a redemption or subscription, as applicable, of such interests. Any such redemption proceeds that would be paid in property other than cash shall be valued by the Calculation Agent and the Hypothetical Investor shall be deemed to have received an amount in cash equal to the value of the redemption proceeds as determined by the Calculation Agent;

"Relevant Financial Centre Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and which is a Euro Business Day;

"TARGET2" means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"Treaty" means the Treaty on the Functioning of the European Union, as amended; and

"Valuation Date" means 7 April 2014 (the **"Initial Valuation Date"**), and thereafter, any Business Day on which all or any of the Reference Funds are scheduled to publish official net asset values.

2. **Form, Denomination and Title**

(a) **Form**

The Notes are issued in bearer form. Notes issued in definitive form are referred to as **"Definitive Notes"**. Definitive Notes will be serially numbered.

(b) **Denomination**

The Notes are in the denomination(s) set out in the Final Terms.

(c) **Title**

Subject as set out below, title to the Notes will pass by delivery. References herein to the "Holders" of the Notes or "Noteholders" are to the bearers of such Notes. To the extent permitted by law, the Issuer, the Principal Paying Agent and any other Paying Agents may deem and treat the Holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

3. **Status**

The Notes are direct, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and, at their date of issue, (save for certain obligations required to be preferred by law) with all other unsecured and unsubordinated obligations of the Issuer for the time being outstanding.

4. **Interest**

The Notes will not bear interest.

5. **Redemption and Purchase**

(a) **At Maturity**

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at an amount per Calculation Amount equal to the Final Redemption Amount on the Maturity Date.

(b) **Redemption for Taxation Reasons**

If the Issuer satisfies the Principal Paying Agent immediately prior to the giving of the notice referred to below that, in respect of the Notes, if the Issuer were to seek to redeem such Notes (for which purpose no regard shall be had to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer would (notwithstanding its having made such endeavours as the Principal Paying Agent shall determine, in its sole and absolute discretion, to be reasonable) be required to pay any additional amounts in accordance with the provisions of Condition 6 (*Taxation*), the Issuer may, having given not less than 30 nor more than 45 days' notice to the Noteholders in respect of the Notes, redeem all, but not some only, of such Notes, at their Early Redemption Amount; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient to establish the circumstances required to be established pursuant to this Condition 5(b) (*Redemption and Purchase – Redemption for Taxation Reasons*) if the Issuer shall deliver to the Principal Paying Agent a certificate of an independent legal adviser or accountant satisfactory to the Principal Paying Agent to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws of the United Kingdom (including any regulations pursuant thereto), or in the interpretation or administration thereof, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment under the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(c) **Early Redemption for Illegality**

The Issuer shall have the right to terminate its obligations under the Notes if the Calculation Agent shall have determined in its absolute discretion that the performance of such obligations under the Notes (or the Issuer's or the Issuer's designated affiliates' obligations under any hedging arrangements established in connection therewith) shall have become unlawful or impracticable in whole or in part, including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such

circumstances the Issuer will pay to each Noteholder the Early Redemption Amount on such date as shall be notified to the Noteholders in accordance with Condition 11 (*Notices*).

(d) **Purchases**

Each of the Issuer and any person directly or indirectly connected with the Issuer may at any time purchase Notes at any price in the open market or otherwise, and such Notes may be held, reissued, resold or, provided such Notes are held by the Issuer, at the option of the Issuer reissued or cancelled.

(e) **Cancellation**

All Notes which are redeemed pursuant to Conditions 5(a) (*Redemption and Purchase – At Maturity*), 5(b) (*Redemption and Purchase – Redemption for Taxation Reasons*), 5(c) (*Redemption and Purchase – Early Redemption for Illegality*), Condition 17(a) (*Adjustments and Events affecting the Notes – Merger Event*), 17(b) (*Adjustment and Events affecting the Notes – Additional Disruption Event*), 17(c) (*Adjustment and Events affecting the Notes – Potential Adjustment Event*) and 17(d) (*Adjustment and Events affecting the Notes – Extraordinary Fund Event*) or 18 (*Buy-Back Provision*) shall, and all Notes purchased pursuant to Condition 5(d) (*Redemption and Purchase – Purchases*) may, at the option of the Issuer, be cancelled forthwith. All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.

6. **Taxation**

All payments by the Issuer under the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In the event that the Issuer is so required by law to withhold or deduct, it will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a Holder of a Note who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with the United Kingdom or any other relevant jurisdiction, other than the mere holding of such Note;
- (b) unless it is proved to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non residence or other similar claim for exemption to the relevant tax authorities or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment or by presenting the relevant Note at the specified office of another Paying Agent;
- (c) more than 30 days after the Relevant Date (defined below) except to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days;
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note, or a portion of the Note, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member

of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 11 (*Notices*).

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the United Kingdom, references in this Condition 6 (*Taxation*) to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to payments under the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under this Condition 6 (*Taxation*);
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

7. **Payments**

Payments under the Notes will be made against presentation and surrender of the relevant Note at the specified office of any Paying Agent outside the United States (subject to the next paragraph). No payments on the Notes will be made by mail to an address in the United States or by transfer to an account maintained by the Holder in the United States.

If the due date for payment of any amount due in respect of any Note is not both a Relevant Financial Centre Day and, if such Note is a Definitive Note, a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions.

8. **Events of Default**

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing in relation to the Notes:

- (a) there is a default for more than 14 days in the repayment of any principal due on the Notes, provided that it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by

independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or

- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by an Extraordinary Resolution of the Holders of the Notes),

then any Noteholder may, by written notice to the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Note held by the Holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, as specified in the relevant Final Terms, without presentment, demand, protest or other notice of any kind.

9. **Prescription**

Notes will become void unless presented for payment within a period of 10 years from the Relevant Date (as defined in Condition 6 (*Taxation*)) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent in respect of any Notes and remaining unclaimed when such Notes become void will then revert to the Issuer and all liability of the Principal Paying Agent with respect thereto will thereupon cease.

10. **Replacement**

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

11. **Notices**

(a) **Notices to Noteholders**

All notices to the Holders of Notes will be valid if published in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

(b) **Notices from Noteholders**

Notices given by any Noteholder shall be in writing and given by lodging the same, together with relevant Note or Notes (if applicable), with the Principal Paying Agent or other Paying Agent at its specified office.

12. **Paying Agents, Calculation Agents and Issue Agents**

- (a) The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Calculation Agent, the initial Issue Agent and their respective initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent, the Calculation Agent or the Issue Agent and/or approve any change in the specified office through which any Paying Agent, the Calculation Agent or the Issue Agent acts, provided that:

- (i) so long as any Notes are outstanding, there will at all times be a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive

implementing the conclusions of the ECOFIN Council meeting of 26 27 November 2000;
and

- (ii) so long as any Notes are outstanding, there will at all times be a Principal Paying Agent and a Calculation Agent.
- (b) Any such variation, termination, appointment or change shall only take effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 11 (*Notices*).

13. **Meetings of Noteholders, Modification and Substitution**

(a) **Meetings of Noteholders**

The Master Note Issuance Agreement contains provisions for convening meetings of the Holders of the Notes to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Note Issuance Agreement) of a modification of the Notes or any of the provisions of the Master Note Issuance Agreement. Such a meeting may be convened by the Issuer or by Holders of the Notes holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of the Notes whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes, reducing or cancelling the amount of principal payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders of the Notes shall be binding on all the Noteholders, whether or not they are present at the meeting.

(b) **Modification**

Subject in case of the Master Note Issuance Agreement or the Issuing and Paying Agency Agreement (as applicable) to the agreement of the other parties thereto, the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Master Note Issuance Agreement or the Issuing and Paying Agreement or the Conditions which is not materially prejudicial to the interests of the Noteholders as a whole;
- (ii) any modification of the Conditions or the Master Note Issuance Agreement or the Issuing and Paying Agreement which is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or
- (iii) any modification of the Notes which is made to correct an inconsistency between the terms and conditions of the Notes (comprising these Conditions as completed by the Final Terms) and any termsheet relating to the Notes.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 (*Notices*) as soon as practicable thereafter.

(c) **Substitution**

The Issuer may also agree, without the consent of the Noteholders, to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer as principal debtor under the Notes, provided that such Notes are irrevocably guaranteed by the Issuer. In the event of any such substitution, any

reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Noteholders in accordance with Condition 11 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

14. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes to create and issue further notes ranking equally in all respects with the Notes so that the same shall be consolidated and form a single series with such Notes for the time being outstanding.

15. **Portfolio Recomposition**

The Portfolio shall initially comprise the Reference Funds stated in the Schedule to the Final Terms with the applicable Portfolio Weighting specified therein. Thereafter, the Reference Fund Selection Agent shall have the right (at its discretion), exercisable by its giving a Reference Basket Adjustment Notice to the Issuer not less than the Minimum Adjustment Notice Period prior to the last Valuation Date in any calendar month, to request that the composition and/or Portfolio Weighting of the Reference Funds then comprised within the Portfolio be altered (in accordance with the Fund Selection Agent Agreement) as set out in the relevant Reference Basket Adjustment Notice. Such adjustment (a "**Portfolio Recomposition**") will be deemed to take effect as of the Portfolio Recomposition Date applicable to such Portfolio Recomposition. Any Portfolio Recomposition shall be subject to (i) all relevant restrictions set out in the Reference Fund Prospectus, including but not limited to minimum transfer amount requirements and (ii) the terms of the Fund Selection Agent Agreement, including but not limited to the restriction that no alteration of composition and/or weighting may occur when a Reference Fund Disruption Event, Extraordinary Fund Event, Hedging Disruption Event, Force Majeure Event or Change in Law has occurred.

The Issuer shall not be responsible for any acts or omissions of the Reference Fund Selection Agent and the Issuer shall not be liable to the Noteholders, whether in contract, tort (including negligence) or otherwise, for any loss, damage, costs (including legal fees), loss of profit or for any indirect or consequential losses arising as a result of any act or omission by the Reference Fund Selection Agent in connection with this Condition 15 (*Portfolio Recomposition*).

16. **Recomposition Fee**

If a Portfolio Recomposition is deemed to take effect on any Portfolio Recomposition Date, then the Recomposition Fee applicable to such Portfolio Recomposition Date shall be taken into account in the determination of the Portfolio value in relation to such Portfolio Recomposition Date in accordance with the definition of "Portfolio Level" set out in Condition 1 (*Definitions*).

17. **Adjustments and Events affecting the Notes**

(a) **Merger Event**

If in the determination of the Calculation Agent, in its sole and absolute discretion, a Merger Event occurs:

- (i) where consideration for the units of the relevant Reference Fund consists solely of units of a fund in which the Issuer could invest (the "**New Units**"), references to units of the relevant Reference Fund shall be replaced by references to the number of New Units to which a holder of a unit would be entitled upon consummation of the Merger Event and the New Units and their issuer will be deemed to be the units and issuer of the Reference Fund and, if necessary, the Calculation Agent will, in its sole and absolute discretion, make adjustments to the Reference Fund Value and/or any other terms of the Notes in such manner as it considers appropriate; or

- (ii) where the consideration for the units consists of anything other than the consideration described in (i) above, the Issuer will designate an Early Redemption Date on which the Early Redemption Amount will be payable.

(b) **Additional Disruption Event**

If in the determination of the Calculation Agent, in its sole and absolute discretion, a Hedging Disruption Event or Change in Law occurs, the Issuer will designate an Early Redemption Date on which the Early Redemption Amount will be payable.

(c) **Potential Adjustment Event**

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred:

- (i) the Calculation Agent may, in its sole and absolute discretion, make such adjustments, if any, to the composition of the Portfolio, Reference Fund Value, the Portfolio Weighting and/or any other terms of the Notes as the Calculation Agent determines appropriate, and shall determine the effective time of any such adjustment, in its sole and absolute discretion; or
- (ii) the Calculation Agent may in its sole and absolute discretion designate an Early Redemption Date on which the Early Redemption Amount will be payable.

(d) **Extraordinary Fund Event**

If in the determination of the Calculation Agent, in its sole and absolute discretion, an Extraordinary Fund Event occurs, the Calculation Agent may, at its sole discretion, either:

- (i) designate an Early Redemption Date on which the Early Redemption Amount will be payable; or
- (ii) make such adjustment, if any, to the Reference Fund Value, the notional number of units in the Reference Fund and/or any other terms of the Notes as the Calculation Agent determines appropriate, and shall determine the effective time of any such adjustment, in its sole and absolute discretion.

(e) **Calculation of Buy-Back Amount, Early Redemption Amount or Final Redemption Amount is Impossible, Impracticable or Otherwise Disrupted**

If the Buy-Back Settlement Date, Early Redemption Date, Final Valuation Date or the Redemption Payment Date has not occurred by the Final Cut-off Date for any reason, then the Buy-Back Amount, Early Redemption Amount or Final Redemption Amount (if any) shall be calculated by the Calculation Agent in its sole and absolute discretion and paid to the Noteholders on the date that is 10 days after the Final Cut-off Date, notwithstanding that such day may be a Disrupted Day.

(f) **Correction of Prices**

In the event that any net asset value for the applicable Reference Fund published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Notes is subsequently corrected and the correction is published or announced by the relevant Reference Fund (or its relevant administrator or agents) by the earlier of the next Portfolio Recomposition Date (if any) and the Final Valuation Date, the Calculation Agent will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the amount payable in respect of the Notes and their terms to account for such correction and the Calculation Agent shall determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s), provided that if any amount has been paid which exceeds the amount that would have been payable if the correction had been taken into account, (i) no further amount in an amount at least equal to the excess is payable in respect of the Notes and (ii) if the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such

correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder. Any such reimbursement shall be effected in such manner as the Issuer shall determine.

18. **Buy-Back Provision**

Provided that the Calculation Agent determines that Normal Market Conditions exist and that no Extraordinary Fund Event and/or Reference Fund Disruption Event has occurred and is continuing:

- (a) the Issuer shall on each Valuation Date from and including the Initial Valuation Date to but excluding the Final Valuation Date, publish on Bloomberg page XS1055030594 <CORP> ALLQ <GO> indicative bid prices in respect of the Notes. Such indicative bid prices shall be equal to the Calculation Amount multiplied by the Portfolio Level on such Valuation Date. For the avoidance of doubt, such bid prices for the Notes as published on Bloomberg are for indicative purposes only, and are subject to change in accordance with normal market movements;
- (b) a Noteholder may, on any London Business Day from and including the Initial Valuation Date to but excluding the Final Valuation Date, by written notice to the Issuer (a "**Buy-Back Request**"), request for the Issuer to buy back a specified principal amount of Notes held by such Noteholder; and
- (c) following receipt by the Issuer of a Buy-Back Request from a Noteholder the Issuer may in its sole and absolute discretion designate a Buy-Back Settlement Date in relation to the Notes the subject of such Buy-Back Request. On the Buy-Back Settlement Date, the Issuer shall purchase the Notes from the Holder thereof, and such Holder shall sell such Notes to the Issuer, at the Buy-Back Amount per Calculation Amount of such Notes. Subject to their being Normal Market Conditions and so long as no Extraordinary Fund Event and/or Reference Fund Disruption Event has occurred or is continuing, the Issuer expects to pay the Buy Back Amount three (3) Business Days following the Buy-Back Settlement Date. Settlement of such sale and purchase shall be in accordance with the prevailing procedures of the Clearing Systems whilst the Notes are in global form and in accordance with prevailing market practice if the Notes are Definitive Notes.

A Buy-Back Request, once delivered to the Issuer, may not be withdrawn without the consent of the Issuer.

If the Calculation Agent considers that exceptional market conditions make it impossible to provide an indicative price and/or calculate Buy-Back Amount for the Notes, then the Issuer's related obligations hereunder shall be postponed to the Business Day on which the Calculation Agent, acting in good faith and a commercially reasonable manner, determines that such exceptional market conditions have ceased to exist and that it considers possible to determine such an indicative price and/or Buy-Back Amount.

19. **Third Party Rights**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20. **Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

21. **English courts**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Notes (including any Dispute regarding the existing, validity or termination of the Notes or the consequence of their nullity).

FINAL TERMS OF THE NOTES

FINAL TERMS

Final Terms dated 7 April 2014

Series No.: _1_____

Tranche No.: _1_____

HSBC Bank plc

Issue of EUR 30,000,000 Fund-Linked Note due 2017

Under the Notes and Warrants Programme

PART A – CONTRACTUAL TERMS		
1.	Issuer:	HSBC Bank plc
2.	Denomination Currency:	Euro ("EUR")
3.	Aggregate Principal Amount of Notes:	EUR 30,000,000
4.	Issue Price:	100% per cent. of the Aggregate Principal Amount
5.	(i) Specified Denomination (<i>Condition 2(b)</i>):	EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000. No Notes in definitive form will be issued with a denomination above EUR 199,000
	(ii) Calculation Amount:	EUR 1,000
6.	Issue Date:	10 April 2014
7.	Calculation Agent:	HSBC Bank plc
8.	U.S. selling restrictions:	TEFRA D
		Regulation S Compliance Category 2
9.	Permanent Global Note exchangeable at the option of the Issuer in circumstances where the Issuer would suffer material disadvantage following a change of law or regulation:	Yes

PART B – OTHER INFORMATION		
1.	LISTING	
	(i) Listing:	Application will be made to admit the Notes to listing on the Official List of the United Kingdom Financial Conduct Authority. No assurance can be given as to whether or not, or when, such application will be granted.
	(ii) Admission to trading:	Application will be made for the Notes to be admitted to trading on the regulated market of the London Stock Exchange plc. No assurance can be given as to whether or not, or when, such application will be granted.
2.	RATINGS	
	Ratings:	The Notes are not rated.
3.	INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE	
	Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.	
4.	INFORMATION ABOUT THE UNDERLYING	
	Information on the past and future performance of the Reference Funds can be obtained from the Bloomberg display pages as set out in the Schedule to the Final Terms..	
DISTRIBUTION		
1.	If non-syndicated, name and address of Dealer:	HSBC Bank plc
OPERATIONAL INFORMATION		
1.	ISIN Code:	XS1055030594
2.	Common Code:	105503059
3.	Clearing Systems	Euroclear and Clearstream
4.	Delivery:	Delivery against payment

SCHEDULE TO THE FINAL TERMS

Reference Funds

	ISIN	Bloomberg TICKER	Allocation %
Short Term			
Pioneer Funds - Euro Liquidity	LU0527391360	PISFELI	0%
Pioneer Funds - Euro Corporate Short-Term	LU0229385769	PIEESTI	0%
Investment Grade			
Pioneer Funds - Euro Aggregate Bond	LU0313645821	PIOEABI	0%
Pioneer Funds - Euro Bond	LU0119435609	PIOEBDI	0%
Pioneer Funds - Euro Corporate Bond	LU0133660984	PIEUCBI	0%
Pioneer Funds - Strategic Income	LU0162482318	PSIIEND	0%
Pioneer Funds - Strategic Income (Hedged)	LU0775721474	PIOSIHD	0%
High Yield			
Pioneer Funds - Euro High Yield	LU0229386908	PIOEHAI	0%
Pioneer Funds - US High Yield	LU0119436599	PIOUSEI	0%
Pioneer Funds - US High Yield (Hedged)	LU0775724577	PUIEHND	0%
Pioneer Funds - Emerging Markets Bond	LU0119436169	PIOEMIE	100%
Pioneer Funds - Emerging Markets Bond Local Currency	LU0441087631	PEMBLIA	0%
Equities			
Pioneer Funds - Emerging Markets Equity	LU0119433141	PIOEMEI	0%
Pioneer Funds - China Equity	LU0133658061	PIGRCHI	0%
Pioneer Funds – Emerging Europe and Mediterranean Equity	LU0119432416	PIOEEEI	0%
Pioneer Funds - Japanese Equity	LU0119435278	PIOJAPI	0%

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

As the Notes are issued in bearer form, for U.S. federal income tax purposes they will be issued in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(D) ("**TEFRA D**", which definition shall include any successor rules in substantially the same form as TEFRA D for the purposes of Section 4701 of the U.S. internal Revenue Code). The Notes will be represented upon issue by a temporary global note in bearer form without interest coupons (the "**Temporary Global Note**"). Each Temporary Global Note will be deposited on or around the issue date of the Notes with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note will be exchangeable for interests in a Permanent Global Note, on or after the date which is forty days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note.

For the purposes of complying with TEFRA D, the Notes may not be offered or sold to a United States person. "**United States person**" means any person who is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organised under the laws of the United States or any political subdivision thereof or therein or (iii) an estate or trust the income of which is subject to United States taxation regardless of its source.

The forms of Temporary Global Note and Permanent Global Note (each, a "**Global Note**") will contain provisions applicable to the Notes represented thereby, some of which modify the effect of the Conditions of the Notes. Certain of these are summarised in this section.

All payments, if any, in respect of the Notes when represented by a Temporary Global Note or Permanent Global Note, will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents. On each occasion on which a payment is so made, the Issuer shall procure that record of such payment is noted on a schedule to the relevant Global Note.

In respect of the Notes represented by Global Notes, each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Notes will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg from time to time. For so long as the relevant Notes are represented by the Global Notes, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes.

The records of the relevant clearing systems which reflect the amount of Noteholders' interests in the Notes shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes.

An exchange of a Temporary Global Note for a Permanent Global Note will be made only on or after the Exchange Date (as set out in the Final Terms) and provided certification as to the beneficial ownership thereof as required by the US Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received.

The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole or in part) for a Permanent Global Note, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

If any date on which a payment is due on the Notes whilst the Notes are represented by the Temporary Global Note, the related payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by the US Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued

in such circumstances by the relevant clearing system or depository) has been received by Euroclear or Clearstream, Luxembourg. Payments of amounts due in respect of the Permanent Global Note will be made through any of Euroclear or Clearstream, Luxembourg without any requirement for certification.

Interests in the Permanent Global Note will be exchanged, at the cost and expense of the Issuer, by the Issuer in whole (but not, subject to (b) below, in part only), for Definitive Notes (a) at the option of the holder of such Permanent Global Note, for Definitive Notes, (i) if the Notes become immediately repayable in accordance with Condition 8 (*Events of Default*), or (ii) if any of Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, or (b) at the option of the Issuer where the Issuer or any Paying Agent, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if the Notes were in definitive form.

The Notes shall be tradable only in principal amounts of at least the Denomination (or if there is more than one Denomination, the lowest Denomination).

All notices to the Holders of Notes appertaining thereto will be valid, in the case of Notes in global form, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein; **provided that**, in each case, in the case of Notes that have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, the rules of such listing authority, stock exchange and/or quotation system have been complied with. Any such notice shall be deemed to have been given on the date of such delivery or, if the Notes are admitted to listing, trading and/or quotation and publication is required under the applicable rules of the relevant listing authority, stock exchange and/or quotation system, on the date of publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

TAXATION

Transactions involving the Notes may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving the Notes should consult their own tax advisers.

United Kingdom Taxation – Notes

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to certain payments in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with any other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(A) United Kingdom Withholding Tax - Interest

1. Any payments made with respect to the Notes which are considered to be interest for United Kingdom taxation purposes and where such Notes are issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.
2. Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on such Notes which are considered to be payments of interest for United Kingdom tax purposes may be made without withholding or deduction for or on account of United Kingdom income tax. Securities will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the regulated market of the London Stock Exchange.
3. In addition to the exemption set out in paragraphs 1 and 2 above, payments on the Notes which are considered to be interest for United Kingdom taxation purposes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of HMRC, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:
 - (a) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the United Kingdom Prudential Regulation Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or

- (b) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.
4. In all other cases, falling outside the exemptions described in paragraphs 1, 2 and 3 above, payments on the Notes which are considered to be interest for United Kingdom tax purposes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.

(B) United Kingdom Withholding Tax – Other Payments

Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment, a manufactured payment, rent or similar income or royalties for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double tax treaty.

(C) Provision of information

- 1. Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.
- 2. Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

(D) Other Rules Relating to United Kingdom Withholding Tax

- 1. Notes which are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
- 2. Where interest or any other payment has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- 3. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
- 4. The above summary under the heading of United Kingdom Taxation – Notes assumes that there will be no substitution of the Issuer pursuant to Condition 13 (*Meetings of Noteholders, Modification and Substitution*) of the Notes and does not consider the tax consequences of any such substitution.

EU Taxation

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments and interest (or similar income) as from that date.

The European Council formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

EU Taxation – Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

GENERAL INFORMATION

1. The continuation of the Programme and the issue of the Notes under the Programme have been duly authorised by and pursuant to resolutions of a committee of the board of directors of the Issuer dated 11 June 2013.
2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The common code and the International Securities Identification Number in relation to the Notes are 105503059 and XS1055030594 respectively set out in the Final Terms. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. In relation to the Issuer, any transfer of, or payment in respect of the Notes involving the government of any country which is at the relevant time the subject of United Nations, European Union or United Kingdom sanctions or other similar measures implemented or effective in the United Kingdom, any person or body resident in, incorporated in or constituted under the laws of, or carrying on business in, any such country or exercising public functions in any such country, or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions or other similar measures, or otherwise may be the target of any such sanctions or other similar measures.
4. The Notes are intended to be admitted to listing on the Official List of the FCA and admitted to trading on the regulated market of the London Stock Exchange upon submission to the FCA and the London Stock Exchange of the Final Terms and any other information required by the FCA and/or the London Stock Exchange. Prior to listing and admittance to trading of the Notes, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction.
5. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2013 nor any material adverse change in the prospects of the Issuer since 31 December 2012.
6. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings of which the Issuer is aware) during the 12 month period before the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Issuer and its subsidiary undertakings taken as a whole.
7. For so long as the Issuer may issue securities under this Prospectus, the following documents may be inspected during normal business hours at the registered office of the Issuer:
 - (a) the articles of association of the Issuer;
 - (b) the 2013 interim report of the Issuer;
 - (c) the 2012 annual report and accounts of the Issuer; and
 - (d) the 2011 annual report and accounts of the Issuer.
8. J W Leng retired as the Issuer's Chairman and from the Issuer's Board of Directors with effect from 31 December 2013 and J F Trueman was appointed as the Issuer's Deputy Chairman on 19 December 2013. P M Shawyer resigned from the Issuer's Board of Directors with effect from 6 January 2014.
9. Information as to the present and further performance the Reference Funds can be obtained from the website of the Management Company <http://www.pioneerinvestments.com/products/luxembourg-range.html> and from the Bloomberg pages referenced in the Schedule to the Final Terms. In addition, copies of the prospectuses of the Reference Funds are available to prospective investors from the Issuer on request.

REGISTERED AND HEAD OFFICE OF THE ISSUER

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United Kingdom

PRINCIPAL PAYING AGENT, ISSUE AGENT AND PAYING AGENT

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CALCULATION AGENT

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as to English law

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