

Amendment to Program Information

Credit Suisse International

AMENDMENT TO PROGRAM INFORMATION

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This amendment is filed to update the information included in the Program Information dated 18 August 2017. This constitutes an integral part of the Program Information dated 18 August 2017 and shall be read together with it.



Credit Suisse International

Debt Issuance Programme (Unlimited Program Size)

This Supplement (the "**Supplement**") is supplemental to, and should be read in conjunction with, (i) the Listing Supplement dated 2 October 2015 (the "**Listing Supplement**") in respect of the debt issuance programme established by Credit Suisse International ("**CSI**" or the "**Issuer**") on 10 August 2006 for the issuance of securities of CSI (the "**Securities**") (as supplemented from time to time), (ii) any other documents incorporated by reference therein and (iii) in relation to any particular Securities, the Pricing Supplement relating to those Securities. Capitalised terms used in this Supplement but not defined herein shall have the meanings ascribed to them in the Listing Supplement.

Supplement to Listing Supplement dated 12 December 2017

The sections in the Listing Supplement entitled "The distribution of this Listing Supplement is restricted" and "United States restrictions" shall be updated by the information below and the new section entitled "EEA RETAIL INVESTORS" shall be added after the section entitled "United States restrictions" in the Listing Supplement.

The distribution of this Listing Supplement is restricted

The distribution of this Listing Supplement and the offering or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, such restrictions. For a description of certain restrictions on offers or sales of the Securities and the distribution of this document and other offering materials relating to the Securities, please refer to the section headed "Sale and Subscription" of Annex 1 (*Programme Memorandum*) of the Listing Supplement.

United States restrictions

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and applicable state securities laws. A further description of the restrictions on offers and sales of the Securities in the United States or to U.S. persons is set out in the section headed "Sale and Subscription – United States" of Annex 1 (*Programme Memorandum*) of the Listing Supplement.

EEA RETAIL INVESTORS

If the Pricing Supplement in respect of the Securities includes a legend entitled "Prohibition of Sales to EEA Retail Investors", with effect from 1 January 2018, the Securities are not intended to be offered, sold or otherwise made available to and may not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA Retail Investor**"). For these purposes, an EEA Retail Investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to EEA Retail Investors has been prepared and therefore offering or selling such Securities or otherwise making them available to any EEA Retail Investor may be unlawful under the PRIIPs Regulation.

OVERVIEW OF THE PROGRAMME

The sections in the Listing Supplement entitled "Description of CREDIT SUISSE INTERNATIONAL ("CSi")" and "Key risks relating to the Securities" under "OVERVIEW OF THE PROGRAMME" shall be updated by the information below.

Description of CREDIT SUISSE INTERNATIONAL ("CSi")

CSi is an unlimited company incorporated in England and Wales. CSi is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA and operates under English law. Its registered office and principal place of business is at One Cabot Square, London E14 4QJ.

Key risks relating to the Securities

Investors may lose some or all of their investment if one or more of the following occurs: (a) the Securities do not provide for scheduled repayment in full of the issue or purchase price at maturity or upon mandatory early redemption or optional early redemption of the Securities, (b) CSi fails and is unable to make payments owing under the Securities, (c) any adjustments are made to the terms and conditions of the Securities following certain events affecting CSi's hedging arrangements or the underlying asset(s), that result in the amount payable or shares delivered being reduced, or (d) investors sell their Securities prior to maturity in the secondary market at an amount that is less than the initial purchase price.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Listing Supplement. CSi is acting solely in the capacity of an arm's length contractual counterparty and not as an investor's financial adviser or fiduciary in any transaction. The purchase of Securities involves substantial risks and an investment in Securities is only suitable for investors who (either alone or in conjunction with an appropriate financial adviser) fully evaluate the risks and merits of such an investment in the Securities and who have sufficient resources to be able to bear any losses that may result therefrom. Therefore, before making an investment decision, prospective investors of Securities should ensure that they understand the nature of the Securities and the extent of their exposure to risks and consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in this Listing Supplement and any documents incorporated by reference herein. This Listing Supplement cannot disclose whether the Securities are a suitable investment in relation to any investor's particular circumstances; therefore investors may wish to consult their own financial, tax, legal or other advisers as they consider appropriate and carefully review and consider such an investment decision in the light of the information set forth in this Listing Supplement.

A secondary market for the Securities may not develop and, if one does develop, it may not provide the holders of the Securities with liquidity and may not continue for the life of the Securities. CSi may, but is not obliged to, purchase the Securities at any time at any price, and may hold, resell or cancel them. Where the relevant distributor(s) may only confirm the amount or number of Securities sold to investors after the Securities have been issued, CSi may cancel some of the Securities if the amount or number of Securities subscribed for or purchased is less than the aggregate nominal amount or number of Securities (as applicable) issued on the Issue Date. The market for the Securities may be limited. The only way in which a holder can realise value from a Security prior to its maturity is to sell it at its then market price in the market. The price in the market for a Security may be less than its issue price even though the value of any Underlying Asset may not have changed since the issue date. Further, the price at which a holder sells its Securities in the market may reflect a commission or a dealer discount, which would further reduce the proceeds it would receive for its Securities. Accordingly, Securities are only suitable for investors who are prepared to hold Securities for an indefinite period of time or until redemption or expiry of the Securities.

Where amounts payable under Securities are linked to one or more Underlying Assets, an investment in the Securities is not the same as an investment in the Underlying Asset(s) or an investment directly linked to the Underlying Asset(s), and an investor may be worse off as a result. For example:

- the Underlying Asset(s) will not be held by CSi for the benefit of investors, and investors will have no rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Underlying Asset;
- if the Securities are subject to a cap, an investor will not participate in any change in the value of the Underlying Asset(s) over and beyond the price, level, rate or other applicable value needed to reach the cap; and
- if the upside participation rate of the Securities is less than 100 per cent. and at maturity the final level, price, rate or other applicable value of the Underlying Asset(s) exceeds the initial level, price, rate or other applicable value, an investor's return may be significantly less than if the holder had purchased the Underlying Asset(s) directly (or otherwise obtained a direct exposure).

The past performance of an Underlying Asset is not an indicator of its future performance. The level, price, rate or other applicable value of an Underlying Asset may go down as well as up throughout the term of the Securities, and such movement may have a negative impact on the value of the Securities.

Before purchasing Securities, investors should ensure that they understand the unique nature, characteristics and risks of the Underlying Asset(s), and how the value of the Securities could be affected by the performance of the Underlying Asset(s).

If an Underlying Asset is located in or exposed to one or more emerging market countries, there may be additional event, political, economic, credit, currency, market, regulatory/legal, settlement and clearing risks.

Investors may be exposed to currency risks because (a) the Underlying Asset(s) may be denominated or priced in currencies other than the currency in which the Securities are denominated, or (b) the Securities and/or the Underlying Asset(s) may be denominated in currencies other than the currency of the country in which the investor is resident. The value of the Securities may therefore increase or decrease as a result of fluctuations in those currencies.

In certain circumstances, CSi may make adjustments to the terms of the Securities (including substituting an Underlying Asset) or redeem or cancel them at an Early Redemption Amount as determined by it without the consent of the Securityholders. Such an Early Redemption Amount may be less than the issue price of the Securities and may be as low as zero. In making any such adjustments or determinations, CSi in such capacity will (whether or not expressed to be the case in the Conditions) act in good faith and in a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) shall take into account whether fair treatment is achieved by any such adjustments or determinations in accordance with its applicable regulatory obligations. Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

CSi is subject to a number of conflicts of interest, including:

- in making certain calculations and determinations, there may be a difference of interest between the Securityholders and CSi;
- in the ordinary course of its business CSi (or an affiliate) may effect transactions for its own account and may enter into hedging transactions with respect to the Securities or Underlying Asset(s) which may have a negative impact on the liquidity or value of the Securities;
- CSi (or an affiliate, or any employees thereof) may have confidential information in relation to an Underlying Asset or any derivative transaction referencing it, but which CSi is under no obligation (and may be subject to legal prohibition) to disclose; and
- in relation to proprietary indices sponsored by CSi or an affiliate.

Unless otherwise specified in the relevant Pricing Supplement, the net proceeds from each issue of Securities will be used to hedge the obligations of CSi under the Securities and for general corporate purposes.

Save for any fees payable to the Dealer(s) and/or Selling Agent(s), so far as CSi is aware, no person involved in the issue or offer of the Securities has an interest material to such issue or offer.

The applicable terms and conditions of the Securities and any expenses charged to the investor will be specified in the relevant Pricing Supplement.

RISK FACTORS

The section in the Listing Supplement entitled "RISK FACTORS" shall be updated by the information below in its entirety.

You should read "1. General Considerations" below for an explanation of this section and of the risk factors provided.

Warning: The terms and conditions of certain Securities issued under this Listing Supplement may not provide for scheduled repayment in full of the issue or purchase price at maturity (or over the relevant instalment dates, if applicable). In such case, you may lose some or all of your investment.

Even if the relevant Securities do provide for scheduled repayment in full of the issue or purchase price at maturity (or over the relevant instalment dates, if applicable) or upon mandatory early redemption or optional early redemption of the Securities, you will still be exposed to the credit risk of CSi and will lose up to the entire value of your investment if CSi either fails or is otherwise unable to meet its payment obligations. The Securities are not deposits and are not protected under any deposit insurance or protection scheme.

You may also lose some or all of your investment if:

- **you sell your Securities prior to maturity in the secondary market at an amount that is less than your initial purchase price;**
- **your Securities are redeemed early under their terms and conditions at the discretion of CSi and the Early Redemption Amount paid to you is less than the initial purchase price; or**
- **your Securities are subject to certain adjustments in accordance with the terms and conditions of the Securities that may result in any amount payable (or deliverable) on the Securities (whether at maturity or otherwise) being reduced to, or being valued at, an amount that is less than your investment.**

Risk Factors	Page
1. General considerations	9
2. Risks associated with the creditworthiness of the Issuer	
(a) General risks	10
(b) Risks relating to CSi	10
(c) Risks relating to regulatory action in the event that CSi is failing or the UK resolution authority considers that it is likely to fail	31
(d) The UK's decision to leave the EU	34
3. Risks relating to the Securities generally	
(a) Potential loss of some or all of the investment	34
(b) Limited liquidity	35
(c) No obligation to maintain listing	35
(d) The Issue Price may be more than the market value of the Securities	36
(e) The market value of the Securities will be affected by many factors and cannot be predicted	36

(f)	The market value of the Securities may be highly volatile	36
(g)	Over-issuance of Securities by the Issuer	37
(h)	In certain circumstances, CSi may redeem the Securities (other than due to a mandatory automatic early redemption event) prior to their scheduled maturity. The Early Redemption Amount payable on such early redemption may be less than the issue price or the purchase price and investors may therefore lose some or all of their investment and may not be able to reinvest the proceeds in another investment offering a comparable return	37
(i)	In certain circumstances, CSi may adjust the terms of the Securities, and such adjustment may have a negative effect on the value of the Securities	37
(j)	Tax risks	37
(k)	Proposed Financial Transaction Tax	38
(l)	Issue of further Securities	38
(m)	Risk of cancellation of issue of Securities	38
(n)	Risks relating to the Euro and the Euro zone	38
(o)	There are particular risks in relation to Securities denominated in or referencing CNY	39
4.	Risks associated with certain types of Securities and certain product features	
(p)	Optional redemption by the Issuer	39
(q)	A "participation" factor of over 100 per cent. means that you may participate disproportionately in the performance of the Underlying Asset(s)	40
(r)	A "participation" factor of less than 100 per cent. means that you will not participate in the full positive performance of the Underlying Asset(s)	40
(s)	The effect of averaging	40
(t)	'Worst-of'	40
(u)	Cap	40
(v)	Interest rate risks	41
(w)	Emerging market risks	41
(x)	Occurrence of Additional Disruption Events	43
5.	Risks associated with Securities that are linked to Underlying Asset(s)	
(y)	Past performance of an Underlying Asset is not a reliable indicator of future performance	44
(z)	No rights of ownership in an Underlying Asset	44
(aa)	Exposure to currency risks	44
(bb)	Substitute Dividend and Dividend Equivalent Payments	44
(cc)	Correction of published prices or levels	45

(dd)	Risks associated with Securities linked to a basket of Underlying Assets	45
(ee)	Risks associated with physical delivery of Underlying Asset(s)	45
(ff)	Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other benchmarks	46
(gg)	It may not be possible to use the Securities as a perfect hedge against the market risk associated with investing in the Underlying Asset(s)	47
(hh)	There may be regulatory consequences to Securityholders holding Securities linked to an Underlying Asset	48
6.	Risks associated with Securities that are linked to one or more particular types of Underlying Assets	
(ii)	Risks associated with Shares	48
(jj)	Risks associated with Equity Indices	49
7.	Risks associated with conflicts of interest between the Issuer and holders of Securities	
(kk)	Exclusion of liability for calculations and determinations	50
(ll)	Calculations and determinations under the Securities	50
(mm)	Hedging and dealing activities in relation to the Securities and Underlying Asset(s)	50
(nn)	Confidential information relating to the Underlying Assets	51

1. General considerations

The purchase of Securities involves substantial risks and an investment in the Securities is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them (either alone or in conjunction with an appropriate financial adviser) to evaluate the risks and merits of an investment in the Securities and who have sufficient resources to be able to bear any losses that may result therefrom. CSi is acting solely in the capacity of an arm's length contractual counterparty and not as an investor's financial adviser or fiduciary in any transaction.

Before making any investment decision, prospective investors in the Securities should ensure that they understand the nature of the Securities and the extent of their exposure to risks involved.

CSi believes that the factors described below may affect their abilities to fulfil their respective obligations under the Securities. Most of these factors are contingencies which may or may not occur and which could have a material adverse effect on CSi's businesses, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the return investors will receive on the Securities. CSi does not express a view on the likelihood of any such contingency occurring.

CSi believes that the factors described below are material for the purpose of assessing the market risks associated with the Securities and represent the material risks inherent in investing in the Securities, but these are not the only risks that CSi faces or that may arise under the Securities. There will be other risks that CSi does not currently consider to be material, or risks that CSi is currently not aware of, or risks that arise due to circumstances specific to the investor,

and CSi does not represent that the statements below regarding the risks of holding any Securities are exhaustive of all such risks.

More than one investment risk may have simultaneous effect with regard to the value of the Securities and the effect of any single investment risk may not be predictable. In addition, more than one investment risk may have a compounding effect and no assurance can be given as to the effect that any combination of investment risks may have on the value of Securities.

2. Risks associated with the creditworthiness of the Issuer

(a) General risks

The Securities are general unsecured obligations of CSi. Securityholders are exposed to the credit risk of CSi. The Securities will be adversely affected in the event of (i) a default, (ii) a reduced credit rating of CSi, (iii) increased credit spreads charged by the market for taking credit risk on CSi or (iv) a deterioration in the solvency of CSi.

If CSi either fails or is otherwise unable to meet its payment obligations, you may lose up to the entire value of your investment. The Securities are not deposits and are not protected under any deposit insurance or protection scheme.

The profitability of CSi will be affected by, among other things, liquidity risk, market risk, credit risk, risks relating to its strategy, risks from estimates and valuations, risks relating to off-balance sheet entities, country and currency exchange risk, operational risk, legal and regulatory risk and competition risk. These risks are discussed in further detail below.

These risk factors should be read together with the risk factors listed on under risk factor 2(b) (Risks relating to CSi). Such risk factors are risk factors that are material to the Securities in order to assess the market risk associated with them or which may affect CSi's ability to fulfil its obligations under them.

(b) Risks relating to CSi

(i) Market Risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatilities and correlations. CSi defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction will be exposed to a number of different market risks.

CSi has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at CSi level down to specific portfolios. CSi uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across CSi's many activities and focused tools that can specifically model the unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal portfolio measurement methodologies are Value-at-Risk ("**VaR**") and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR is applicable for market risk exposures with appropriate price histories. Positions can

be aggregated in several ways, across risk factors, products and businesses. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk across different asset classes, businesses and Divisions, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and other relevant parameters serve as a basis for the statistical VaR model underlying the potential loss estimation. CSi uses a ten-day holding period and a confidence level of 99 per cent. to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ("**BCBS**").

CSi uses a historical simulation model for the majority of the risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used.

The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and other relevant parameters applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on the correlation between risk factors. CSi uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, CSi uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in the overall market volatility is reflected promptly in the VaR model output.

CSi has approval from the PRA to use its regulatory VaR model in the calculation of the trading book market risk capital requirements.

The VaR model uses assumptions and estimates that CSi believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions and correlations across asset classes.
- VaR provides an estimate of losses at a 99 per cent. confidence level, which means that it does not provide any information on the size of losses that could occur beyond that threshold.
- VaR is based on a ten-day holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

Scenario analysis

Stress testing complements other risk measures by capturing CSi's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at CSi level, a set of scenarios are used which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of CSi's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support CSi's internal capital adequacy assessment. Stress testing is conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and shared and discussed with the business lines.

Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact CSi's positions, capital, or profitability. The scenarios used within CSi are reviewed at the individual risk committee level as well as by a dedicated scenario design forum. It is expected that the scenarios used within CSi are redefined as required by changes in market conditions and as business strategies evolve.

Trading portfolios

Risk measurement and management

Market risk arises in CSi's trading portfolios primarily through the trading activities within CSi.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio. This classification of assets as trading is based on the trading intent and for the purpose of analysing CSi's market risk exposure, not for financial statement purposes.

CSi is active in the principal global trading markets, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of CSi's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for CSi, as measured by ten-day 99 per cent. VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99 per cent. VaR – trading portfolios						
<i>End of period</i>	<i>Interest rate and credit spread</i>	<i>Foreign exchange</i>	<i>Commodity</i>	<i>Equity</i>	<i>Diversification benefit¹</i>	<i>Total</i>
2016 (USD million)						
Average	32	17	6	27	(34)	49
Minimum	16	4	2	17	-. ²	27
Maximum	46	30	15	42	-. ²	85
End of period	37	16	2	27	(40)	43
2015 (USD million)						
Average	40	17	5	20	(31)	51
Minimum	30	5	1	11	-. ²	32
Maximum	54	75	11	53	-. ²	102
End of period	33	10	2	27	(22)	50

¹Diversification benefit reflects the net difference between the sum of the 99th percentile loss.

²As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

VaR results

The CSi group's ten-day, 99 per cent. regulatory VaR as of 31 December 2016 decreased by 14 per cent. to USD 43 million, compared to 31 December 2015 (USD 50 million).

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with CSi's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

Development of non-trading portfolio risks

Interest rate risk on banking book positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 0.2 million as of 31 December 2016 compared to USD 2.1 million as of 31 December 2015. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2016, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

- A fair value loss of USD 2 million (2015: gain of USD 373 million) for a +200bps move.
- A fair value loss of USD 72 million (2015: loss of USD 443 million) for a -200bps move.

(ii) **Liquidity Risk**

Liquidity risk is the risk that a bank is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

The CS group ("CS group")-wide management of liquidity risk

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee ("**CARMC**"), a committee that includes the Chief Executive Officers ("**CEOs**") of the CS group and the divisions, the Chief Financial Officer ("**CFO**"), the Chief Risk Officer ("**CRO**") and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with Credit Suisse Group AG ("**CSG**") Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define CSi's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of the Credit Suisse reflects the risk appetite, business activities, strategy, market conditions and overall operating environment. The Credit Suisse's liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and/ or issues specific to THE CREDIT SUISSE. This approach enhances the Credit Suisse's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels in response to stressed conditions.

The funding sourced by THE CREDIT SUISSE is part of an Asset-Liability Management strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. THE CREDIT SUISSE primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

The funding profile is designed to enable THE CREDIT SUISSE to continue to pursue activities for an extended period of time without changing business plans during times of stress. To address short term liquidity needs in any stress, a liquidity buffer consisting of a portfolio of highly liquid securities and cash is maintained which can be utilised in the event of a crisis.

The principal measure used to monitor the structural liquidity position of the firm and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ("**NSFR**"). This is complemented by THE CREDIT SUISSE's internal liquidity barometer, which measures survival days under stressed conditions and considers the adjusted market value of unencumbered assets (including cash) against the aggregate value of expected contractual, contingent and client behavioural liquidity outflows. This framework is supplemented by the modeling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, the Credit Suisse would activate its Contingency Funding Plan ("**CFP**"), which focuses on the specific actions that would be taken as a response, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee, which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ("**LCR**") and NSFR.

The LCR, which is being phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows was subject to an initial proposed minimum requirement of 60 per cent., which increases by 10 per cent. each year, reaching 100 per cent. by 1 January 2019.

The NSFR, which under BCBS is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100 per cent.

It should be noted that local Regulators are free to interpret the BCBS proposals and have implemented various aspects differently including timescales for implementation of the LCR and NSFR.

Legal entity management of liquidity risk

The liquidity risk of CSi is managed as an integral part of the overall the Credit Suisse global liquidity risk management framework. CSi aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for CSi is aligned to those used globally for the Credit Suisse barometer.

The legal entity internal liquidity risk management framework also includes local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ("**EBA**") has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under the Capital Requirements Directive ("**CRDIV**") guidelines, the LCR was initially introduced with a minimum requirement of 80 per cent. on 1 October 2015 with an increase to 90 per cent. from 1 January 2017 and full compliance by 1 January 2018 (one year prior to BCBS guidelines). The NSFR was expected to be introduced on 1 January 2018 in-line with the BCBS proposal, however in November 2016 the European Commission confirmed that it will not apply at a level of 100 per cent. until two years after the date of entry in to force of the proposed Regulation. The date for this is not yet known however entry in to force is expected around mid-2018.

In the context of liquidity management at the legal entity, CSi's Board of Directors is responsible for setting the liquidity risk appetite. Some of the key characteristics determining CSi's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk appetite;
- Compliance with local regulatory requirements;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the Credit Suisse global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The legal entity risk appetite and assumptions underlying the relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Risk and Treasury and ultimately approved by CSi's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, day light collateral requirements and communicated strategies.

Incremental to CSi's unsecured funding sources from the Credit Suisse, CSi has the ability to access secured funding markets via repurchase agreements and a structured notes

issuance programme. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

<i>Group 31 December 2016</i>	<i>On Demand</i>	<i>Due within 3 months</i>	<i>Due between 3 and 12 months</i>	<i>Due between 1 and 5 years</i>	<i>Due after 5 years</i>	<i>Total</i>
Financial liabilities (USD million)						
Deposits	457	-	-	-	-	<u>457</u>
Securities sold under repurchase agreements and securities lending transactions	630	447	1,626	-	118	<u>2,821</u>
Trading financial liabilities at fair value through profit or loss	211,639	-	-	-	-	<u>211,639</u>
Financial liabilities designated at fair value through profit or loss	130	12,844	2,907	4,709	4,099	<u>24,689</u>
Short term borrowings	-	2,667	-	-	-	<u>2,667</u>
Long term debt	-	3,333	550	25,473	4,684	<u>34,040</u>
Other liabilities	31,426	-	-	-	-	<u>31,426</u>
Liabilities held for sale	155	922	-	946	1,730	<u>3,753</u>
Total	<u>244,437</u>	<u>20,213</u>	<u>5,083</u>	<u>31,128</u>	<u>10,631</u>	<u>311,492</u>

<i>Group 31 December 2015</i>	<i>On Demand</i>	<i>Due within 3 months</i>	<i>Due between 3 and 12 months</i>	<i>Due between 1 and 5 years</i>	<i>Due after 5 years</i>	<i>Total</i>
Financial liabilities (USD million)						
Deposits	529	1	34	-	-	<u>564</u>
Securities sold under repurchase agreements and securities lending transactions	895	465	4,050	-	327	<u>5,737</u>
Trading financial liabilities at fair	270,767	-	-	-	-	<u>270,767</u>

<i>Group</i> <i>31 December 2015</i>	<i>On</i> <i>Demand</i>	<i>Due</i> <i>within 3</i> <i>months</i>	<i>Due</i> <i>between 3</i> <i>and 12</i> <i>months</i>	<i>Due</i> <i>between 1</i> <i>and 5</i> <i>years</i>	<i>Due after</i> <i>5 years</i>	<i>Total</i>
value through profit or loss						
Financial liabilities designated at fair value through profit or loss	16	10,256	2,190	7,828	2,219	<u>22,509</u>
Short term borrowings	-	21,066	-	-	-	<u>21,066</u>
Long term debt	-	5,307	248	17,994	4,587	<u>28,136</u>
Other liabilities	30,822	-	-	-	-	<u>30,822</u>
<u>Total</u>	<u>303,029</u>	<u>37,095</u>	<u>6,522</u>	<u>25,822</u>	<u>7,133</u>	<u>379,601</u>

<i>CSi</i> <i>31 December 2016</i>	<i>On</i> <i>Demand</i>	<i>Due</i> <i>within 3</i> <i>months</i>	<i>Due</i> <i>between 3</i> <i>and 12</i> <i>months</i>	<i>Due</i> <i>between 1</i> <i>and 5</i> <i>years</i>	<i>Due after</i> <i>5 years</i>	<i>Total</i>
Financial liabilities (USD million)						
Deposits	457	-	-	-	-	<u>457</u>
Securities sold under repurchase agreements and securities lending transactions	630	447	1,626	-	118	<u>2,821</u>
Trading financial liabilities at fair value through profit or loss	211,647	-	-	-	-	<u>211,647</u>
Financial liabilities designated at fair value through profit or loss	131	12,844	2,907	4,702	4,099	<u>24,683</u>
Short term borrowings	-	2,667	-	-	-	<u>2,667</u>
Long term debt	-	3,389	550	25,294	4,605	<u>33,838</u>
Other liabilities	31,426	-	-	-	-	<u>31,426</u>
Liabilities held for sale	155	922	-	946	1,730	<u>3,753</u>
<u>Total</u>	<u>244,446</u>	<u>20,269</u>	<u>5,083</u>	<u>30,942</u>	<u>10,552</u>	<u>311,292</u>

CSi 31 December 2015	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	529	1	34	-	-	<u>564</u>
Securities sold under repurchase agreements and securities lending transactions	895	465	4,050	-	327	<u>5,737</u>
Trading financial liabilities at fair value through profit or loss	270,775	-	-	-	-	<u>270,775</u>
Financial liabilities designated at fair value through profit or loss	24	10,247	1,302	8,504	2,190	<u>22,267</u>
Short term borrowings	-	21,066	-	-	-	<u>21,066</u>
Long term debt	-	5,307	257	18,019	4,562	<u>28,145</u>
Other liabilities	30,822	-	-	-	-	<u>30,822</u>
Total	<u>303,045</u>	<u>37,086</u>	<u>5,643</u>	<u>26,523</u>	<u>7,079</u>	<u>379,376</u>

(iii) **Currency Risk**

CSi takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

CSi has approval to manage its own trading profit and loss related Foreign exchange risk through a formal trading mandate and has defined risk limits using the VaR methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate Foreign Exchange Policy. Both these methodologies are discussed in more detail in risk factor 1.1(nn)(i) (***Error! Reference source not found.*** – Market Risk) above.

(iv) **Credit Risk**

Credit risk in CSi is managed by the CSi Credit Risk Management ("**CSi CRM**") department, which is headed by the CSi Chief Credit Officer ("**CSi CCO**"), who in turn reports to CSi Chief Risk Officer. CSi CRM is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. The head of CRM reports to the Chief Risk Officer of Credit Suisse Group. All credit limits in CSi are subject to approval by CSi CRM.

Definition of credit risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit

quality of the borrower or counterparty. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur. As of 1 January 2017 CSi must comply with the EBA's guidelines on the management of exposure to non-regulated entities carrying out credit intermediation activities (so-called "shadow banks"). CSi CRM has established a framework for managing exposures to shadow banks, the majority of which will be managed under the principal approach. A small number of counterparties will be managed under the regulatory fallback approach, and exposure to these entities is well below the regulatory limit (25 per cent. of net exposure at default over capital).

Counterparty and transaction rating

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to which it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally-developed rating models and processes, which are subject to governance and internally-independent validation procedures.

The CSi group's internal ratings may differ from counterparties external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk

estimates and Risk Weighted Assets, a probability of default ("**PD**") is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty.

The analysis emphasises a forward- looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgement of credit experts. The PD for each rating is calibrated based on historical default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSi group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ("**LGD**") assumption to estimate the potential credit loss. LGD represents the expected loss on a

transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSi has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ("IRB") approach for the majority of credit exposures in CSi. Exposures which are not covered by AIRB treatment are subject to the standardised approach.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

Maximum Exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2016. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSi would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk:						
				<i>CSi</i>		
<i>Group</i>						
<i>2016 (USD million)</i>	<i>Gross</i>	<i>Collateral</i>	<i>Net</i>	<i>Gross</i>	<i>Collateral</i>	<i>Net</i>
Maximum exposure to credit risk						
Cash and due from banks	5,490	-	5,490	5,361	-	5,361
Interest bearing deposits with banks	9,647	-	9,647	9,647	-	9,647
Securities purchased under resale agreements and Securities borrowing transactions	9,467	9,467	-	9,467	9,467	-
Trading financial assets at fair value through profit or loss						
Debt securities	27,713	-	27,713	27,592	-	27,592
Derivative trading positions	207,437	197,277	10,160	207,437	197,277	10,160
Other	2,024	-	2,024	2,017	-	2,017
Financial assets designated at fair value through profit or loss						
Loans	3,361	1,203	2,158	3,654	1,203	2,451
Reverse repurchase agreements	14,911	7,063	7,848	14,911	7,063	7,848

Other	2,134	548	1,586	2,134	548	1,586
Other loans and receivables	3,316	2,532	784	3,316	2,532	784
Other assets	36,700	-	36,700	36,700	-	36,700
Maximum exposure to credit risk-total assets	322,200	218,090	104,110	322,236	218,090	104,146
Off-balance sheet items						
financial guarantees	1,020	4	1,016	1,020	4	1,016
loan commitments and other credit related commitments	9,620	4,938	4,682	9,620	4,938	4,682
Maximum exposure to credit risk – total off-balance sheet	10,640	4,942	5,698	10,640	4,942	5,698
Maximum exposure to credit risk	332,840	223,032	109,808	332,876	223,032	109,844

	<i>Group</i>			<i>CSi</i>		
<i>2015 (USD million)</i>	<i>Gross</i>	<i>Collateral</i>	<i>Net</i>	<i>Gross</i>	<i>Collateral</i>	<i>Net</i>
Maximum exposure to credit risk						
Cash and due from banks	13,163	-	13,163	13,082	-	13,082
Interest bearing deposits with banks	59	-	59	59	-	59
Securities purchased under resale agreements and Securities borrowing transactions	30,073	30,073	-	30,073	30,073	-
Trading financial assets at fair value through profit or loss						
Debt securities	22,529	-	22,529	22,457	-	22,457
Derivative trading positions	262,698	246,210	16,488	262,716	246,210	16,506
Other	2,952	-	2,952	2,936	-	2,936
Financial assets designated at fair value through profit or loss						
Loans	6,348	2,566	3,782	6,758 ¹	2,566	4,192 ¹
Reverse repurchase agreements	3,172	3,172	-	3,172	3,172	-
Other	2,558	517	2,041	2,558	517	2,041
Other loans and receivables	3,495	2,629	866	3,495	2,629	866

Other assets	45,636 ¹	-	45,636	45,636 ¹	-	45,636 ¹
<u>Maximum exposure to credit risk-total assets</u>	<u>392,683¹</u>	<u>285,167</u>	<u>107,516</u>	<u>392,942¹</u>	<u>285,167</u>	<u>107,775¹</u>
Off-balance sheet items						
financial guarantees	1,078	1	1,077	1,078	1	1,077
loan commitments and other credit related commitments	12,494	4,954	7,540	12,494	4,954	7,540
<u>Maximum exposure to credit risk – total off-balance sheet</u>	<u>13,572</u>	<u>4,955</u>	<u>8,617</u>	<u>13,572</u>	<u>4,955</u>	<u>8,617</u>
<u>Maximum exposure to credit risk</u>	<u>406,255¹</u>	<u>290,122</u>	<u>116,133¹</u>	<u>406,514¹</u>	<u>290,122</u>	<u>116,392¹</u>

¹ 2015 numbers have been restated to conform to the current year's presentation

The CSi group is exposed to credit risk as a result of a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSi group typically enters into master netting arrangements ("**MNAs**") with over the counter ("**OTC**") derivative counterparties. The MNAs allow the CSi group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to "*Note 17 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss*" in "*Notes to the Financial Statements for the year ended 31 December 2016*" of the 2016 CSi Annual Report.

Reverse repurchase agreements and securities borrowings are typically fully-collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to "*Note 15 – Securities Borrowed*,

Lent and Purchased/Sold under Resale/Repurchase Agreements" of the 2016 CSi Annual Report.

In July 2016, the PRA granted CSi permission to use Financial Collateral Comprehensive Method ("**FCCM**") Own-Estimates Haircuts for capital computations under CRDIV regime for derivatives, Securities Financing Transactions, Equity Prime Brokerage and CCP business lines. The FCCM waiver allows CSi to use its own internal models to calculate haircuts which are then used within the Current Exposure Method method for capital computations. These own-estimate haircuts are much more sophisticated than the broad-based supervisory haircuts, and hence more appropriately capture the risk of CSi's portfolios.

Included within Other (Financial assets designated at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to "*Note 36 – Guarantees and Commitments*" in "*Notes to the Financial Statements for the year ended 31 December 2016*" of the 2016 CSi Annual Report.

For further information on collateral held as security that the CSi group is permitted to sell or repledge refer to "*Note 39 – Assets Pledged or Assigned*" of the 2016 CSi Annual Report.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

Risk Mitigation

CSi actively manages its credit exposure utilising credit hedges and monetisable collateral (cash and marketable securities).

Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut. Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities); and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment.

Counterparty exposure before collateral by rating				
		2016		2015
	<i>USD million</i>	<i>Per cent.</i>	<i>USD million</i>	<i>Per cent.</i>

AAA	938	2	2,495	4
AA+ to AA-	12,375	23	14,357	21
A+ to A-	20,301	36	25,130	37
BBB+ to BBB-	13,790	25	15,883	23
BB+ to BB-	3,722	7	5,932	9
B+ and below	3,802	7	4,158	6
	54,928	100	67,955	100

Unsecured exposure by rating (including provisions)				
		2016		2015
	<i>USD million</i>	<i>Per cent.</i>	<i>USD million</i>	<i>Per cent.</i>
AAA	476	2	718	2
AA+ to AA-	5,407	23	8,169	27
A+ to A-	11,056	47	12,779	43
BBB+ to BBB-	3,777	16	5,133	17
BB+ to BB-	752	3	780	3
B+ and below	2,170	9	2,362	8
	23,638	100	29,941	100

The above tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for CSi as most of the trading portfolio mainly resides in CSi.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

Wrong-way risk

Wrong-way exposures

In a wrong-way trading situation, CSi's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. CSi has multiple processes that allow us to capture and estimate wrong-way risk.

Credit approval and reviews

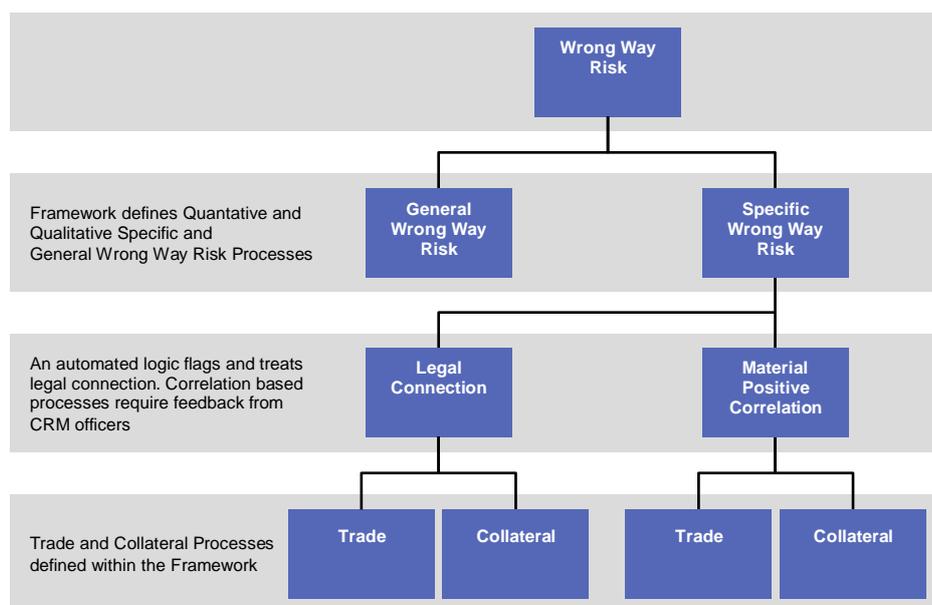
A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. Credit limits are sized to the

level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

Exposure adjusted risk calculation

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumptions, ineligibility of collateral or scenario-based add-ons is in place to identify and adjust exposures for all wrong-way risk types as per the distinction in the table below.



With respect to general wrong-way risk, a scenario-based exposure add-on is applied to those counterparties identified following the quantitative and qualitative review from Credit Officers where the Basel III exposure is not deemed sufficient to capture the additional risk fully.

Wrong-way risk monitoring

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing wrong-way risk due to legal connection are automatically flagged and included in regular reporting. General wrong-way risk ("WWR") and transactions containing specific wrong-way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. The outcome of the WWR identification process is subject to monthly review from the UK CRM management team via a regular forum.

Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter-value from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSi group leverages Clearing Houses, Central Counterparties and Central Settlement services

and will also net gross cash flows with a given counterparty where possible. CSi group proactively seeks to manage the timing of settlement instructions to agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

(v) **Country Risk**

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. CSi CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSi.

For CSi, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Upon CSi CRM recommendation, maximum appetite and operational limits are calibrated and approved by the CSi Risk Management Committee ("**CSi RMC**") on an annual basis or, if warranted by a fundamental change in strategy or market conditions, more frequently.

The measurement of exposures against country limits is reported weekly to CSi CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provide independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to CSi CCO and the CSi CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at the CSi RMC.

(vi) **Legal and Regulatory Risk**

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behavior, employee training sessions, the use of appropriate legal documentation, and the involvement of the General Counsel and Compliance department, and outside legal counsel and other external specialists. In addition, the CS group is an active participant in a number of key industry and other professional market forums including International Swaps and Derivatives Association, Association for Financial Markets in Europe (AFME) and British Bankers' Association ("**BBA**") which inter alia focus on improving levels of market and product standardisation, legal definition and protocol.

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CSi group may operate. Such limitations can have a negative effect on the CSi group's business and ability to implement

strategic initiatives. To the extent that disinvestment is required from certain businesses, losses could be incurred, as the CSi group may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

The financial services industry continues to be affected by the significant complexity of ongoing regulatory reforms, alongside more recently, the potential impact of Brexit. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the results of operations.

(vii) **Operational Risk**

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorised trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. CSi believes that effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. CSi started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, CSi has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together.

The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks while providing individual businesses with sufficient flexibility to tailor specific components to reflect the risks that they run. The main components of the operational risk framework are described below:

- **Governance and policies:** The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. CSi utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- **Operational risk appetite:** This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior CSi management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements

covering outcomes that should be avoided. They define their risk appetite with the CSi Board and relevant risk management committees in agreement with the operational risk management function.

- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment: CSi utilises a comprehensive set of internal controls that are designed to ensure that CSi's activities follow agreed policies and that processes operate as intended. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment ("**RCSA**") process.
- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They are associated with thresholds that define acceptable performance and provide early warning signals about potential issues.
- Incident data: CSi systematically collects, analyses and reports data on operational risk incidents to ensure that CSi understands the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CSi focus' on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. CSi also collects and utilises available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the CSi group.
- Risk and control self-assessments: RCSA's are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSA's utilise other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- Reporting: CSi produces a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and reaches of operational risk appetite. The incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. CSi conducts detailed investigations or significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in

recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.

- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorised trading. These scenarios help businesses assess the suitability of controls in the light of potential losses. Regulatory capital is determined using the Business Indicator Approach and supplemented by scenario analysis. The capital requirements are allocated to individual businesses for performance measurement purposes and to incentivise appropriate management actions.
- Conduct and behaviour: Recognising that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behaviour. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organisation, CSi also transfers the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

Developments in 2016

CSi is continuously enhancing the operational risk management practices through an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out more broadly.

Maintaining the effectiveness of the CSi control environment is critical to ensuring that operational risks remain within acceptable levels. In 2016, we made improvements to our approaches to cataloging, documenting and evaluating key controls, which will provide more robust and supportable control assessments for use in the RCSA process. This work now forms a significant part of the Enterprise Risk and Control Framework that was launched in 2016 which focuses on introducing a systematic control activities framework that applies consistent standards and approaches to relevant business activities. This is a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.

CSi has continued to make progress in embedding assessments of employee behaviour in the risk assessment framework. In 2016, the business conduct behaviours continued to be reference in a number of HR processes, including recruitment, induction, performance assessment, promotion, and compensation. CSi also introduced enhanced risk indicator reporting covering behaviour and conduct-related matters.

Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant CSi operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the CSi Board and Board Risk with standing updates to the CSi Risk Management committee and CSi Operational Risk Management committee which have senior staff representatives from all the relevant functions.

(viii) **Conduct Risk**

Conduct risk is the risk that poor conduct by the CS group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorised trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or market conduct.

Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing past incidents and those from other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across CSi and targeted training activities. CSi seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours.

The Code of Conduct and the set of business conduct behaviours are linked to the employee performance assessment and compensation processes.

(ix) **Reputational Risk**

Credit Suisse Code of Conduct states that "Our most valuable asset is our reputation". Credit Suisse reputation is driven by the perception of clients, shareholders, the media and the public. The Credit Suisse Global Policy on Reputational Risk (the "**Policy**") states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ("**RRRP**") for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The CSi Board has formally delegated reputational risk issues to CS group's global RRRP which includes an overview of the transaction or action being considered, the risks identified and any mitigating factors and views from internal subject matter experts. All formal

submissions in the RRRP require review by senior business management in the relevant division, and are then subsequently referred to one of the CS group's Reputational Risk Approvers ("**RRA**"), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on the CS group's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee (the "**Committee**") for further discussion, review and final decision. The Committee is comprised of senior regional, divisional, shared services and CSi entity management.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to EMEA RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the Committee.

(c) **Risks relating to regulatory action in the event that CSi is failing or the UK resolution authority considers that it is likely to fail**

If CSi were to become subject to a "resolution regime" you could lose some or all of your investment in the Securities

The EU Bank Recovery and Resolution Directive ("**BRRD**") entered into force on 2 July 2014. Its stated aim is to provide national "resolution authorities" (such as the Bank of England in the UK) with a set of powers and tools to deal with financial institutions that are failing or likely to fail and thereby address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

In the United Kingdom, the majority of the requirements of the BRRD have been implemented into national law through the UK Banking Act (and relevant statutory instruments). The UK implementation of the BRRD included the introduction of the so-called "bail-in" tool (as described below) as of 1 January 2015 and the requirement for relevant financial institutions to meet at all times, a minimum requirement for own funds and eligible liabilities as of 1 January 2016.

The UK Banking Act provides for a "resolution regime" granting substantial powers to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the Prudential Regulatory Authority, the FCA and HM Treasury, as appropriate, to implement resolution measures with respect to a UK financial institution (such as CSi) where the relevant UK resolution authority considers that the relevant institution is failing or is likely to fail and action is necessary in the public interest. The resolution powers available to the UK resolution authority include powers to:

- direct the sale of the relevant institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply (the "sale of business tool");
- transfer all or part of the business of the relevant institution to a "bridge bank" (which will be a publicly controlled entity) (the "bridge bank tool");
- transfer the impaired or problem assets of the relevant institution to an asset management vehicle to allow them to be managed over time (the "asset separation tool");
- take the relevant institution into temporary public ownership (i.e., nationalisation); and
- exercise the "bail-in" tool (as discussed below), which could result in a write down of the amount owing or conversion of the relevant liability (which could include a Security) to equity.

The "bail-in" tool (as discussed below) may be used together with any of the sale of business

tool, the bridge bank tool or the asset separation tool (or such tools may be used in any combination).

In addition, the UK Banking Act grants powers to the UK resolution authority to:

- modify contractual arrangements (such as the terms and conditions of the Securities in certain circumstances);
- suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers (e.g., suspending acceleration and enforcement rights under the Securities); and
- disapply or modify laws in the UK (with possible retrospective effect) to enable the recovery and resolution powers under the UK Banking Act to be used effectively.

Prospective purchasers of Securities issued by CSi should be aware that the exercise of any such resolution power or even the suggestion of any such potential exercise could materially adversely affect the value of any such Securities, and could lead to holders of such Securities losing some or all of their investment. The resolution regime is designed to be triggered prior to insolvency of the relevant institution, and holders of securities issued by such institution may not be able to anticipate the exercise of any resolution power (including exercise of the "bail-in" tool described below) by the UK resolution authority. Holders of securities issued by an institution which has been taken into a resolution regime will have very limited rights to challenge the exercise of powers by the UK resolution authority, even where such powers have resulted in the write down or conversion of such securities to equity. Further, notwithstanding that CSi is an unlimited company and, as a result, upon its liquidation its creditors have a right of recourse against CSi's shareholders, holders of securities issued by CSi may not be able to benefit from such recourse if CSi becomes subject to the exercise of any resolution or stabilisation power or such power is exercised in a manner which prevents its liquidation (or otherwise changes the nature of the insolvency procedure to which CSi may ultimately become subject).

The exercise by the UK resolution authority of the "bail-in" tool in relation to the Securities would result in the write down and/or conversion to equity of such Securities

In addition to the other powers described above, the UK resolution authority may exercise the "bail-in" tool in relation to a failing UK financial institution. The "bail-in" tool includes the powers to:

- write down to zero (i.e., cancel) a liability or modify its terms for the purposes of reducing or deferring the liabilities of the relevant institution; and/or
- convert a liability from one form or class to another (e.g., from debt to equity).

The exercise of such powers could result in (i) the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, any Security issued by CSi, and/or (ii) the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, such Securities into shares or other securities or other obligations of CSi or another person, and/or (iii) the amendment of the maturity of such securities or the amount of interest or any other amount payable on such securities or the date of which such interest or other amount becomes payable (including by suspending payment for a temporary period), including by means of a variation to the terms of such Securities, in each case, to give effect to the exercise by the UK resolution authority of such power.

The purpose of the "bail-in" tool is to enable the resolution authority to recapitalise an institution by allocating losses to its shareholders and unsecured creditors (which could include the holders of Securities) in a manner that (i) respects the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable

treatment than they would have received in ordinary insolvency proceedings of the relevant institution (known as the "no creditor worse off" safeguard).

Insured deposits and secured liabilities and certain other liabilities are excluded from the scope of the "bail-in" tool. Further, as part of the reforms required by the BRRD, other deposits will be preferred in the insolvency hierarchy ahead of all other unsecured senior creditors of a UK institution.

The exercise of any resolution power, including the "bail-in" tool, in respect of CSi and any Securities issued by it or any suggestion of any such exercise could materially adversely affect the rights of the holders of such Securities, the value of their investment in such Securities and/or the ability of CSi to satisfy its obligations under such Securities, and could lead to the holders of such Securities losing some or all of their investment in such Securities. In addition, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders of such Securities in the resolution, and there can be no assurance that holders of such Securities would recover such compensation promptly.

Holders of Securities may not be able to anticipate the exercise of the "bail-in" tool or any such resolution power

The stabilisation powers are intended to be exercised pre-emptively – i.e., prior to the point at which insolvency proceedings with respect to the relevant institution would be initiated – in order to resolve the institution and protect the public interest. Accordingly, the stabilisation options may be exercised if the UK resolution authority:

- (i) is satisfied that a relevant institution is failing, or is likely to fail;
- (ii) determines that it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of the relevant institution that will result in condition (i) above ceasing to be met within a reasonable timeframe;
- (iii) considers that the exercise of the stabilisation powers to be necessary, having regard to certain public interest considerations (such as, for example, the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors); and
- (iv) considers that the special resolution objectives would not be met to the same extent by the winding-up of the relevant institution.

The use of different stabilisation powers is subject to further "specific conditions" that vary according to the relevant stabilisation power being used. Additional conditions will apply where the UK resolution authority seeks to exercise its powers in relation to UK banking group companies.

It is uncertain how the UK resolution authority would assess such conditions in different pre-insolvency scenarios affecting the relevant institution. The UK resolution authority is also not required to provide any advanced notice to Securityholders of its decision to exercise any resolution power. Therefore, holders of the Securities issued by CSi may not be able to anticipate a potential exercise of any such powers nor the potential effect of any such exercise on CSi and on any such Securities.

Holders of securities of an institution subject to the exercise of the "bail-in" tool or other resolution power may have only very limited rights to challenge the exercise of such power

Holders of securities of an institution subject to the exercise of the "bail-in" tool or other resolution power (such as Securities) may have only very limited rights to challenge any decision of the UK resolution authority to exercise such power or to have that decision judicially reviewed.

Further, the UK resolution authority would be expected to exercise such powers without the consent of the holders of the affected securities.

Prospective investors should assume that the UK government would not provide extraordinary public financial support, or if it did, only as a last resort after the bail-in tool or other resolution tools have been utilised

Provided that certain conditions are satisfied, the UK government may provide extraordinary public financial support in relation to a failing UK financial institution by providing capital to such financial institution in exchange for Common Equity Tier 1 instruments, Additional Tier 1 instruments or Additional Tier 2 instruments, or by taking such financial institution into temporary public ownership (i.e., nationalisation). However, prospective purchasers of Securities issued by CSi should assume that any such additional financial stabilisation tool(s) would only be used (if at all) as a last resort after having assessed and exploited the other resolution tools (e.g., the bail-in tool, as described above) to the maximum extent practicable.

(d) **The UK's decision to leave the EU**

On 23 June 2016, voters in the UK voted to leave the EU in a non-binding referendum (see the section headed "Principal Risks and Uncertainties – UK Referendum" on page 10 of 2017 CSi Interim Report). The exit process may include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that directly impact CSi's businesses. CSi is working to address the implications of the consequences of these changes and to ensure operational continuity for its clients. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact CSi's results in the UK or other markets.

3. Risks relating to the Securities generally

(a) **Potential loss of some or all of the investment**

Purchasers of Securities which are "capital at risk" investments may lose some or all of their money depending on the performance of the relevant Underlying Asset(s) and the terms of such Securities. The Securities will be "capital at risk" investments unless the Final Redemption Amount payable at maturity or a scheduled early redemption (or, in respect of Instalment Securities, the aggregate of the Instalment Amounts payable over the Instalment Dates, together with the Redemption Amount, if any) (as applicable) of the relevant Securities is at least equal to the purchase price paid by investors for such Securities.

Even where the Final Redemption Amount (or, in respect of Instalment Securities, the aggregate of the Instalment Amounts payable over the Instalment Dates, together with the Redemption Amount, if any) (as applicable) is at least equal to the purchase price paid by investors for such Securities, the Securities are still "capital at risk" investments (i) the terms of the Securities provide for a mandatory automatic early redemption event to be applicable, such mandatory automatic early redemption event occurs and the amount payable is less than the purchase price.

Where Securities are "capital at risk" investments, investors are exposed to a return that is linked to the performance of the relevant Underlying Asset(s) (as specified in the relevant Pricing Supplement), and may lose the value of some or all of their investment.

In any event, if the amount payable (or entitlement deliverable) on redemption, exercise or expiry of the Securities is less than the purchase price paid by investors for such Securities, investors may lose some or all of their investment.

Even if the particular Securities are not "capital at risk" and do provide for scheduled repayment in full of the issue price or the purchase price of the Securities, investors are still exposed to the credit risk of CSi and will lose up to the entire value of their investment if CSi either fails or is otherwise unable to meet its payment obligations. The Securities are not

deposits, and are not covered by any deposit insurance or protection scheme.

Further, as explained at the start of this section, even if the Securities are not "capital at risk" and do provide for scheduled repayment in full of the issue price or the purchase price of the Securities, an investor could still lose some or all of his or her investment if:

the investor sells the Securities prior to maturity in the secondary market but for an amount that is less than the issue price or the purchase price of the Securities;

the Securities are redeemed early under their terms and conditions at the discretion of CSi and the Early Redemption Amount is less than the initial issue price or purchase price (see risk factor (h) (*In certain circumstances, CSi may redeem the Securities (other than due to a mandatory automatic early redemption event or exercise of a Call Option) prior to their scheduled maturity. The Early Redemption Amount payable on such early redemption may be less than the issue price or the purchase price and investors may therefore lose some or all of their investment and may not be able to reinvest the proceeds in another investment offering a comparable return*) below); or

the Securities are subject to certain adjustments made by CSi in accordance with the terms and conditions of the Securities that may result in any amount payable (or deliverable) under the Securities (whether at maturity or otherwise) being reduced to, or being valued at, an amount that is less than the original investment.

(b) **Limited liquidity**

A secondary market for the Securities may not develop and if one does develop, it may not provide the holders of the Securities with liquidity or may not continue for the life of the Securities. A decrease in the liquidity of the Securities may cause, in turn, an increase in the volatility associated with the price of such Securities. Illiquidity may have a severe adverse effect on the market value of the Securities.

The relevant Issuer may, but is not obliged to, purchase the Securities at any time at any price in the open market or by tender or private treaty and may hold, resell or cancel them. The market for the Securities may be limited. The only way in which a Securityholder can realise value from a Security prior to its maturity or expiry (other than in the case of an American style Warrant) is to sell it at its then market price in the market which may be less than the amount initially invested. The price in the market for a Security may be less than its Issue Price even though the value of the Underlying Asset(s) may not have changed since the Issue Date. Further, the price at which a Securityholder sells its Securities in the market may reflect a commission or a dealer discount, which would further reduce the proceeds such Securityholder would receive for its Securities.

Any secondary market price quoted by CSi may be affected by several factors including, without limitation, prevailing market conditions, credit spreads and the remaining time to maturity of the Securities. The Securities are also subject to selling restrictions and/or transfer restrictions that may limit a Securityholder's ability to resell or transfer its Securities. Accordingly, the purchase of Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Securities and the financial and other risks associated with an investment in the Securities. Any investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until redemption or expiry of the Securities.

(c) **No obligation to maintain listing**

Investors should note that where the Securities are listed on the TOKYO PRO-BOND Market, CSi will not be obliged to maintain the listing of the Securities in certain circumstances, such as a change in listing requirements.

(d) **The Issue Price may be more than the market value of the Securities**

The Issue Price in respect of any Securities specified in the relevant Pricing Supplement may be more than the market value of such Securities as at the Issue Date, and more than the price, if any, at which the Dealer or any other person is willing to purchase such Securities in secondary market transactions. In particular, the Issue Price in respect of any Securities and the terms of such Securities may take into account, where permitted by law, fees, commissions or other amounts relating to the issue, distribution and sale of such Securities, or the provision of introductory services. Such fees, commissions or other amounts may be paid directly to the relevant distributor or, if the Securities are sold to the relevant distributor at a discount, may be retained by the relevant distributor out of the Issue Price paid by investors. In addition, the Issue Price in respect of the Securities and the terms of such Securities may also take into account (i) the expenses incurred by CSi in creating, documenting and marketing the Securities (including its internal funding costs) and (ii) amounts relating to the hedging of CSi's obligations under such Securities.

(e) **The market value of the Securities will be affected by many factors and cannot be predicted**

The market value of the Securities will be affected by many factors beyond the control of CSi, including, but not limited to, the following:

- (i) the creditworthiness of CSi (whether actual or perceived), including actual or anticipated downgrades in its credit rating;
- (ii) the remaining time to maturity of the Securities;
- (iii) interest rates and yield rates in the market;
- (iv) the volatility (i.e., the frequency and size of changes in the value) of the Underlying Asset(s) (if any);
- (v) the value of the Underlying Asset(s) to which the Securities are linked (if any);
- (vi) if the Securities are linked to a Share, the dividend rate on such Share or if the Securities are linked to an Index, the dividend rate on the components underlying such Index;
- (vii) national and international economic, financial, regulatory, political, military, judicial and other events that affect the value of the Underlying Asset(s) or the relevant market(s) generally; and
- (viii) the exchange rate between the currency in which the Securities are denominated and the currency in which the Underlying Asset(s) is denominated.

Some or all of the above factors will influence the value of and return on the Securities in the market. Some of these factors are inter-related in a complex way, and as a result, the effect of any one factor may be offset or magnified by the effect of another factor. If you sell your Securities prior to maturity or expiry, the price you will receive may be substantially lower than the original purchase price and you may lose some or all of your investment.

(f) **The market value of the Securities may be highly volatile**

Where the Securities reference any Underlying Asset(s), the Securityholders are exposed to the performance of such Underlying Asset(s). The price, performance or investment return of the Underlying Asset(s) may be subject to sudden and large unpredictable changes over time and this degree of change is known as "volatility". The volatility of an Underlying Asset may be affected by national and international economic, financial, regulatory, political, military, judicial or other events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of and return on the Securities.

(g) **Over-issuance of Securities by the Issuer**

As part of its issuing, market-making and/or trading arrangements, CSi may issue more Securities than those which are to be subscribed or purchased by investors. CSi (or any of its affiliates) may hold such Securities for the purpose of meeting any investor interest in the future. Prospective investors in the Securities should therefore not regard the issue size of any Series of Securities as indicative of the depth or liquidity of the market for such Series of Securities, or of the demand for such Series of Securities.

(h) **In certain circumstances, CSi may redeem the Securities (other than due to a mandatory automatic early redemption event or exercise of a Call Option) prior to their scheduled maturity. The Early Redemption Amount payable on such early redemption may be less than the issue price or the purchase price and investors may therefore lose some or all of their investment and may not be able to reinvest the proceeds in another investment offering a comparable return**

The Securities may be redeemed prior to their scheduled maturity in certain circumstances (other than due to a mandatory automatic early redemption event or exercise of a Call Option) - for example, (i) if CSi determines that its obligations under the Securities or its hedging arrangements have become unlawful or illegal, (ii) following an event of default, or (iii) where the Securities are linked to one or more Underlying Asset(s), following certain events having occurred in relation to any Underlying Asset(s). In such case, the Securities may be redeemed early prior to their scheduled maturity for an amount equal to the Early Redemption Amount. Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

(i) **In certain circumstances, CSi may adjust the terms of the Securities, and such adjustment may have a negative effect on the value of the Securities**

If CSi determines that any adjustment events or other events affecting (i) the Underlying Asset(s) or (ii) (depending on the terms of the Securities) CSi's hedging arrangements have occurred, CSi may adjust the terms and conditions of the Securities (including substituting an Underlying Asset) without the consent of the Securityholders.

In making any such adjustment, CSi will (whether or not already expressed to be the case in the Conditions) act in good faith and in a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) shall take into account whether fair treatment is achieved by any such adjustment in accordance with its applicable regulatory obligations. Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

Nevertheless, any such adjustment could have a material adverse effect on the return on, and value of, the Securities

(j) **Tax risks**

Potential investors in the Securities should take note of the information set out in the section headed "Taxation" of this Listing Supplement. Potential investors in the Securities should conduct such independent investigation and analysis regarding the tax treatment of the Securities as they deem appropriate to evaluate the merits and risks of an investment in the Securities in light of their individual circumstances. Tax risks include, without limitation, a change in any applicable law, treaty, rule or regulation or the interpretation thereof by any relevant authority which may adversely affect payments in respect of the Securities. The level and basis of taxation on the Securities and on the Securityholders and any reliefs from such taxation depend on the Securityholder's individual circumstances and could change at any time. The tax and regulatory characterisation of the Securities may change over the life of the Securities. This could have adverse consequences for Securityholders. Potential Securityholders will therefore need to consult their own tax advisers to determine the specific tax consequences of the purchase, ownership, transfer and redemption, exercise or expiry or

enforcement of the Securities.

(k) **Proposed Financial Transaction Tax**

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") which is currently being considered by Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal 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 Securities 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 (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective investors in Securities are advised to seek their own professional advice in relation to the FTT.

(l) **Issue of further Securities**

If additional securities or options with the same terms and conditions or linked to the same Underlying Asset(s) as the Securities are subsequently issued, either by CSi or another issuer, the supply of securities with such terms and conditions or linked to such Underlying Asset(s) in the primary and secondary markets will increase and may cause the secondary market price of the Securities to decline.

(m) **Risk of cancellation of issue of Securities**

CSi may determine to cancel the issue of Securities for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of CSi and/or the other relevant events that in the determination of CSi may be prejudicial to the issue of the Securities. In such case, where an investor has already paid or delivered subscription monies for the relevant Securities, the investor will be entitled to reimbursement of such amounts, but will not receive any interest that may have accrued in the period between their payment or delivery of subscription monies and the reimbursement of the amount paid for such Securities.

(n) **Risks relating to the Euro and the Euro zone**

The ongoing deterioration of the sovereign debt of several countries, in particular Greece, together with the risk of contagion to other, more stable, countries, such as France and Germany, has raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Euro zone.

Concerns persist regarding the risk that other Euro zone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Ireland, Italy, Spain and Portugal, together with the risk that some countries could leave the Euro

zone (either voluntarily or involuntarily). The impact of these events on Europe and the global financial system could be severe and could have a negative impact on the Securities.

Furthermore, concerns that the Euro zone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. The departure or risk of departure from the Euro by one or more Euro zone countries and/or the abandonment of the Euro as a currency could have major negative effects on CSi and the Securities (including the risks of currency losses arising out of redenomination). Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated Securities would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Securities. It is difficult to predict the final outcome of the Euro zone crisis. Investors should carefully consider how changes to the Euro zone may affect their investment in the Securities.

(o) **There are particular risks in relation to Securities denominated in or referencing CNY**

Chinese Renminbi, the lawful currency of the People's Republic of China ("**CNY**") is not freely convertible at present. The government of the People's Republic of China continues to regulate conversion between CNY and foreign currencies despite the significant reduction over the years by such government of its control over routine foreign exchange transactions conducted through current accounts. The People's Bank of China ("**PBOC**") has established a clearing and settlement system pursuant to the Settlement Agreement on the Clearing of CNY Business between PBOC and Bank of China (Hong Kong) Limited. However, the current size of CNY and CNY denominated financial assets in Hong Kong is limited, and its growth is subject to many constraints imposed by the laws and regulations of the People's Republic of China on foreign exchange.

No assurance can be given that access to CNY funds for the purposes of making payments under the Securities or generally will remain available or will not become restricted. The value of CNY against foreign currencies fluctuates and is affected by changes in the People's Republic of China and international political and economic conditions and by many other factors. As a result, foreign exchange fluctuations between a purchaser's home currency and CNY may affect purchasers who intend to convert gains or losses from the sale or redemption of the Securities into their home currency.

Developments and the perception of risks in other countries, especially emerging market countries, may adversely affect the exchange rate CNY with other currencies and therefore the value of Securities denominated in or referencing CNY.

4. Risks associated with certain types of Securities and certain product features

(a) **Optional redemption by the Issuer**

Any call option of CSi in respect of the Securities may negatively impact their market value. During any period when CSi may elect to redeem Securities, the market value of those Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. CSi may be expected to redeem Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed. The investor will not be able to participate in the performance of the Underlying Asset(s) following the effective date of CSi call option.

(b) **A "participation" factor of over 100 per cent. means that you may participate disproportionately in the performance of the Underlying Asset(s)**

Where the terms and conditions of the Securities provide that the redemption amount or settlement amount or other amount payable (as applicable) in respect of such Securities is

based upon the performance of the Underlying Asset(s) and is multiplied by a "participation" factor which is over 100 per cent., the Securityholder may participate disproportionately in any positive performance and/or may have a disproportionate exposure to any negative performance of the Underlying Asset(s). Due to this leverage effect, such Securities will represent a very speculative and risky form of investment since any loss in the value of the Underlying Asset(s) carries the risk of a correspondingly higher loss.

(c) **A "participation" factor of less than 100 per cent. means that you will not participate in the full positive performance of the Underlying Asset(s)**

Where the terms and conditions of the Securities provide that the redemption amount or settlement amount or other amount payable (as applicable) in respect of such Securities is based upon the performance of the Underlying Asset(s) and is multiplied by a participation factor which is less than 100 per cent., the Securityholder will not participate fully in the performance (whether positive or negative) of the Underlying Asset(s). In such case, the return on the Securities will be disproportionately lower than any positive performance of the Underlying Asset(s), and may be significantly less than if the Securityholder had purchased the Underlying Asset(s) directly.

(d) **The effect of averaging**

If so provided in the applicable terms and conditions of the Securities, the amount payable (or deliverable) on the Securities (whether at maturity or otherwise) will be based on the arithmetic average of the applicable levels, prices, rates or other applicable values of the Underlying Asset(s) on each of the specified averaging dates, and not the simple performance of the Underlying Asset(s) over the term of the Securities. For example, if the applicable level, price, rate or other applicable value of the particular Underlying Asset(s) dramatically surged on the last of five averaging dates, the amount payable on the Securities may be significantly less than it would have been had the amount payable been linked only to the applicable level, price, rate or other applicable value of the particular Underlying Asset(s) on that last averaging date.

(e) **'Worst-of'**

Where the Securities are linked to a basket of Underlying Assets and the terms of the Securities provide that the Final Redemption Amount or other amount payable (as applicable) in respect of such Securities depends on the performance of the worst performing Underlying Asset in the basket, Securityholders will be exposed to the performance of each Underlying Asset and, in particular, to the Underlying Asset which has the worst performance.

This means that, irrespective of how the other Underlying Assets perform, if any one or more Underlying Assets fail to meet the specified threshold or barrier, Securityholders could lose some or all of their initial investment.

(f) **Cap**

Where the terms of the Securities provide that the amount payable or deliverable is subject to a cap, your ability to participate in any change in the value of the Underlying Asset(s) (or any change in floating interest rates) will be limited, no matter how much the level, price or other value of the Underlying Asset(s) (or floating interest rates) rises above the cap level over the term of the Securities. Accordingly, the value of or return on the Securities may be significantly less than if Securityholders had purchased the Underlying Asset(s) (or invested in instruments which pay an uncapped floating rate of interest) directly.

(g) **Interest rate risks**

Where Securities bear interest at a fixed rate, subsequent changes in market interest rates may adversely affect the value of the Securities.

Where interest on Securities is subject to floating rates of interest that will change subject to changes in market conditions, such changes could adversely affect the interest

amount(s) received on the Securities. As the interest income on Securities which bear interest at a floating rate will vary, it is not possible to determine a fixed yield on such Securities at the time of investment and to compare the return on investment of such Securities with investments bearing interest at a fixed rate. If the terms and conditions of the Securities provide for frequent interest payment dates, a Securityholder may only be able to reinvest the interest amount(s) paid to it at the prevailing interest rates, which may be lower if market interest rates decline. Further, if the floating rate becomes negative, any positive margin specified to be applicable to a floating rate will be reduced accordingly, and as such, the resulting rate of interest on the Securities may be less than the positive margin, or may be zero (or such other minimum rate of interest), as specified in the relevant Pricing Supplement.

(h) **Emerging market risks**

An Underlying Asset may include an exposure to emerging markets. Emerging market countries possess one or more of the following characteristics: a certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the development state or a weak economy. Emerging markets investments usually result in higher risks such as event risk, political risk, economic risk, credit risk, currency rate risk, market risk, regulatory/legal risk and trade settlement, processing and clearing risks as further described below. Investors should note that the risk of occurrence and the severity of the consequences of such risks may be greater than they would otherwise be in relation to more developed countries.

- (i) *Event Risk*: On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster) which causes disturbances in its financial markets, including rapid movements in its currency, that will affect the value of securities in, or which relate to, that country. Furthermore, the performance of an Underlying Asset can be affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which such Underlying Asset is issued or traded.
- (ii) *Political Risk*: Many emerging market countries are undergoing, or have undergone in recent years, significant political change which has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leave them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all political reforms, a backlash against foreign investment, and possibly even a movement away from a market-oriented economy. For Securityholders, the results may include confiscatory taxation, exchange controls, compulsory re-acquisition, nationalisation or expropriation of foreign-owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by elections or otherwise, can have a major impact on the performance of an Underlying Asset linked to such emerging market countries.
- (iii) *Economic Risk*: The economies of emerging market countries are by their nature in early or intermediate stages of economic development, and are therefore more vulnerable to rising interest rates and inflation. In fact, in many emerging market countries, high interest and inflation rates are the norm. Rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trades and sensitivity to world commodity prices play key roles in economic development, yet vary greatly from one emerging market country to another. Businesses and governments in these emerging market countries may have a limited history of operating under market conditions. Accordingly, when compared to more developed countries, businesses and governments of emerging market countries are relatively inexperienced in dealing with market conditions and have a limited capital

base from which to borrow funds and develop their operations and economies. In addition, the lack of an economically feasible tax regime in certain countries poses the risk of sudden imposition of arbitrary or excessive taxes, which could adversely affect foreign Securityholders. Furthermore, many emerging market countries lack a strong infrastructure and banks and other financial institutions may not be well-developed or well-regulated. All of the above factors, as well as others, can affect the proper functioning of the economy and have a corresponding adverse effect on the performance of an Underlying Asset linked to one or more emerging market countries.

- (iv) *Credit Risk:* Emerging market sovereign and corporate debt tends to be riskier than sovereign and corporate debt in established markets. Issuers and obligors of debt in these emerging market countries are more likely to be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to go into default. The sovereign debt of some countries is currently in technical default and there are no guarantees that such debt will eventually be restructured allowing for a more liquid market in that debt. The measure of a company's or government's ability to repay its debt affects not only the market for that particular debt, but also the market for all securities related to that company or country. Additionally, evaluating credit risk for foreign bonds involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Many debt securities are simply unrated and may already be in default or considered distressed. There is often less publicly available business and financial information about foreign issuers in emerging market countries than those in developed countries. Furthermore, foreign companies are often not subject to uniform accounting, auditing and financial reporting standards. Also, some emerging market countries may have accounting standards that bear little or no resemblance to, or may not even be reconcilable with, generally accepted accounting principles.
- (v) *Currency Risk:* An Underlying Asset may be denominated in a currency other than U.S. dollars, euro or pounds sterling. The weakening of a country's currency relative to the U.S. dollar or other benchmark currencies will negatively affect the value (in U.S. dollar or such other benchmark currency) of an instrument denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. It is important to note that some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.
- (vi) *Market Risk:* The emerging equity and debt markets of many emerging market countries, like their economies, are in the early stages of development. These financial markets generally lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. It is important, therefore, to be familiar with secondary market trading in emerging markets securities and the terminology and conventions applicable to transactions in these markets. Price volatility in many of these markets can be extreme. Price discrepancies can be common as can market dislocation. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. These emerging market countries also might not have regulations governing manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. It may be difficult to employ certain risk management practices for emerging markets securities, such as forward currency exchange contracts, stock options, currency options, stock and stock index options, futures contracts and options on futures contracts.
- (vii) *Regulatory/Legal Risk:* In emerging market countries there is generally less government supervision and regulation of business and industry practices, stock exchanges, over-

the-counter markets, brokers, dealers and issuers than in more developed countries. Whatever supervision is in place may be subject to manipulation or control. Many emerging market countries have mature legal systems which are comparable to those of more developed countries, whilst others do not. The process of regulatory and legal reform may not proceed at the same pace as market developments, which could result in confusion and uncertainty and, ultimately, increased investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain areas, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that a foreign Securityholder would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. A Securityholder may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

- (viii) *Trade Settlement, Processing and Clearing:* Many emerging market countries have different clearance and settlement procedures from those in more developed countries. For many emerging markets securities, there is no central clearing mechanism for settling trades and no central depository or custodian for the safekeeping of securities. Custodians can include domestic and foreign custodian banks and depositories, among others. The registration, record-keeping and transfer of Securities may be carried out manually, which may cause delays in the recording of ownership. Where applicable, CSI will settle trades in emerging markets securities in accordance with the currency market practice developed for such transactions by the Emerging Markets Traders Association. Otherwise, the transaction may be settled in accordance with the practice and procedure (to the extent applicable) of the relevant market. There are times when settlement dates are extended, and during the interim the market price of any Underlying Assets and in turn the value of the Securities, may change. Moreover, certain markets have experienced times when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardised settlement procedures, settlement risk is more prominent than in more mature markets. In addition, Securityholders may be subject to operational risks in the event that Securityholders do not have in place appropriate internal systems and controls to monitor the various risks, funding and other requirements to which Securityholders may be subject by virtue of their activities with respect to emerging market securities.

(i) **Occurrence of Additional Disruption Events**

Additional Disruption Events in respect of an Underlying Asset may include events which result in CSI incurring material costs for performing its obligations under the Securities due to a change in applicable law or regulation, the inability of CSI to hold, acquire or dispose of such Underlying Asset or the commencement of insolvency proceedings of an issuer of any shares constituting the Underlying Asset. Subject to the terms and conditions for the Securities which determines the types of Additional Disruption Events which are applicable, upon determining that an Additional Disruption Event has occurred, CSI has discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Securities (without the consent of the Securityholders), or (ii) cause an early redemption of the Securities prior to their scheduled maturity by payment of an Early Redemption Amount instead of the Final Redemption Amount, any of such determinations may have an adverse effect on the value of and return on the Securities. Following a determination by CSI in accordance with (ii), no other amounts shall be payable in respect of the Securities on account of interest or otherwise.

In making any such adjustments or determinations, CSi in such capacity will (whether or not already expressed to be the case in the Conditions) act in good faith and in a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) shall take into account whether fair treatment is achieved by any such adjustments or determinations in accordance with its applicable regulatory obligations.

Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

5. Risks associated with Securities that are linked to Underlying Asset(s)

(a) Past performance of an Underlying Asset is not a reliable indicator of future performance

Any information about the past performance of an Underlying Asset at the time of the issuance of the Securities should not be regarded as a reliable indicator of the range of, or trends in, fluctuations in such Underlying Asset that may occur in the future. The level, price, rate or other applicable value of an Underlying Asset (and of components comprising such Underlying Asset) may go down as well as up throughout the term of the Securities. Such fluctuations may affect the value of and return on the Securities. There can be no assurance as to the future performance or movement of any Underlying Asset. Accordingly, before investing in the Securities, investors should carefully consider whether any investment linked to one or more relevant Underlying Assets is suitable for them.

(b) No rights of ownership in an Underlying Asset

Potential investors in the Securities should be aware that the Securities are unsecured obligations of CSi and that an Underlying Asset will not be held by CSi for the benefit of the Securityholders of such Securities and, as such, Securityholders will have no rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Underlying Asset referenced by such Securities.

(c) Exposure to currency risks

Investors may be exposed to currency risks because (i) an Underlying Asset may be denominated or priced in currencies other than the currency in which the Securities are denominated, or (ii) the Securities and/or such Underlying Asset may be denominated in currencies other than the currency of the country in which the investor is resident. The value of the Securities may therefore increase or decrease as a result of fluctuations in those currencies.

(d) Substitute Dividend and Dividend Equivalent Payments

Under section 871(m) of the United States Internal Revenue Code of 1986 and regulations thereunder, a payment on a financial instrument that references a US equity or an index that includes a US equity may be treated as a "dividend equivalent" payment. Such payments generally will be subject to US withholding tax at a rate of 30 per cent. If withholding applies, CSi will not pay any additional amounts with respect to amounts withheld. The relevant Pricing Supplement may indicate if CSi has determined that a Security is a transaction subject to withholding under section 871(m). Although CSi's determination generally is binding on holders, it is not binding on the IRS. The IRS may successfully argue that a Security is subject to withholding under section 871(m), notwithstanding CSi's determination to the contrary. Holders should consult their tax advisors regarding the U.S. federal income tax consequences to them of section 871(m) and regulations thereunder, and whether payments or deemed payments on the Securities constitute dividend equivalent payments.

(e) **Correction of published prices or levels**

In the event that the relevant published prices or levels of an Underlying Asset are subsequently corrected and such correction is published by the entity or sponsor responsible for publishing such prices or levels, subject to such correction and publication occurring prior to a specified cut-off date in respect of the relevant Securities, such corrected prices or levels may be taken into account by CSi in any determination in relation to the Securities and/or CSi may make adjustments to the terms of the Securities, subject to the provisions of the relevant terms and conditions for the Securities. Where such corrected prices or levels are lower than the original levels or prices, this may have an adverse effect on the value of and return on the Securities.

(f) **Risks associated with Securities linked to a basket of Underlying Assets**

The following are particular risks associated with Securities linked to a basket of Underlying Assets:

- (i) *If the basket constituents are highly correlated, any move in the performance of the basket constituents will exaggerate the impact on the value of the Securities:* Correlation of basket constituents indicates the level of interdependence among the individual basket constituents with respect to their performance. If, for example, all of the basket constituents originate from the same sector and the same country, a high positive correlation may generally be assumed. Past rates of correlation may not be determinative of future rates of correlation. Investors should be aware that, though basket constituents may not appear to be correlated based on past performance, they may nevertheless suffer the same negative performance following a general downturn.
- (ii) *The negative performance of a single basket constituent may outweigh a positive performance of one or more other basket constituents:* Even in the case of a positive performance by one or more of the basket constituents, the performance of the basket as a whole may be negative if the performance of one or more of the other basket constituents is negative to a greater extent, depending on the terms and conditions of the relevant Securities.
- (iii) *A small basket, or an unequally weighted basket, will generally leave the basket more vulnerable to changes in the value of any particular basket constituent:* The performance of a basket that includes a fewer number of basket constituents will generally be more affected by changes in the value of any particular basket constituent than a basket that includes a greater number of basket constituents.
- (iv) *A change in composition of a basket may have an adverse effect on basket performance:* Where the terms and conditions of the Securities grant CSi the right, in certain circumstances, to adjust the composition of the basket, investors should be aware that any replacement basket constituent may perform differently from the original basket constituent, which may have an adverse effect on the performance of the basket and therefore the performance of the Securities.

(g) **Risks associated with physical delivery of Underlying Asset(s)**

In the case of Securities where physical settlement is specified to be applicable in the relevant Pricing Supplement, such Securities shall be redeemed at their maturity by delivering Underlying Asset(s) to the Securityholders and the Securityholders will receive such Underlying Asset(s) rather than a monetary amount upon maturity. Securityholders will therefore be exposed to the risks associated with CSi of such Underlying Asset(s) and the risks associated with such Underlying Asset(s).

The value of each such Underlying Asset to be delivered, together with any fractional cash amount, to a Securityholder may be less than the purchase amount paid by such Securityholder for the Securities and the principal amount (if any) of the relevant Securities. In the worst case, the Underlying Asset(s) to be delivered may be worthless. Also, prospective investors should

consider that any fluctuations in the price of the Underlying Asset(s) to be delivered between the end of the term of the Securities and the actual delivery date will be borne by the Securityholders. This means that a Securityholder's actual loss or gain and final return on the Securities can only be determined after delivery of the Underlying Asset(s) to such Securityholder. Further, Securityholders may be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of Underlying Asset(s).

(h) **Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks**

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate, equity, commodity, foreign exchange rate and other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Follow any such, benchmarks may perform differently than in the past or disappear entirely, or there could be other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Securities linked to such a benchmark.

Key regulatory proposals and initiatives in this area include (amongst others) IOSCO's Principles for Financial Market Benchmarks, published in July 2013 (the "**IOSCO Benchmark Principles**"), the EU Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**"), and the transition, proposed by the UK's Financial Conduct Authority (the "**FCA**"), away from LIBOR to one or more alternative benchmarks.

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. Subsequent implementation reviews have found that widespread efforts are being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed. However, the reviews also note that, as the "benchmarks industry" is in a state of flux, IOSCO may need to take further steps in the future - although it is not yet clear what these steps might be.

The Benchmark Regulation entered into force in June 2016 and will become fully applicable in the EU on 1 January 2018 (save that certain provisions, including those related to "critical benchmarks", took effect as at 30 June 2016) subject to certain transitional provisions. The Benchmark Regulation applies to "contributors" to, "administrators" of, and "users" of benchmarks in the EU. When fully applicable (from 1 January 2018), it will, among other things, (a) require EU benchmark administrators to be authorised or registered and to comply with requirements relating to the administration of benchmarks (b) prohibit the use in the EU of benchmarks provided by EU administrators which are not authorised or registered in accordance with the Benchmark Regulation, and (c) prohibit the use in the EU of benchmarks provided by non-EU administrators which are not (i) authorised or registered and subject to supervision in a jurisdiction in respect of which an "equivalence" decision has been adopted in accordance with the Benchmark Regulation, or (ii) where such equivalence decision is pending, "recognised" by the competent authorities of the applicable EU Member State(s). An exception to this is that a benchmark provided by a non-EU administrator can itself be endorsed for use in the EU by an EU authorised or registered administrator or an EU-based supervised entity, following authorisation of the endorsement by the relevant competent authority.

The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, will, when fully applicable, apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices. This will include "proprietary" indices or strategies where these are used to (i) determine the amount payable under, or the value of, certain financial instruments (including securities or OTC derivatives listed on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or traded via a systematic internaliser), (ii) determine the amount payable under certain financial contracts, or (iii) measure the performance of an investment fund. The requirements of the Benchmark Regulation vary depending on the category of benchmark in

question. In particular, a lighter touch regime applies to benchmarks which are not interest rate or commodity benchmarks where the total average value of financial instruments, financial contracts or investment funds referencing the benchmark over a period of six months is less than €50bn (subject to further conditions).

The Benchmark Regulation could have a material impact on Securities linked to a benchmark rate or index. For example:

- a rate or index which is a benchmark could be prohibited from being used in the EU if (subject to applicable transitional provisions) its administrator is (i) based in the EU and does not obtain authorisation or registration, or (ii) based in a non-EU jurisdiction which does not satisfy the "equivalence" conditions and is not "recognised" pending an equivalence decision. In such event, depending on the particular benchmark and the applicable terms of the Securities, the Securities could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted; and
- the methodology or other terms of the benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could reduce or increase the rate or level or affect the volatility of the published rate or level, and could lead to adjustments to the terms of the Securities, including the Calculation Agent determination of the rate or level in its discretion.

In a speech in July 2017, the Chief Executive of the FCA committed the FCA to begin planning a transition away from LIBOR to alternative reference rates that are based on actual transactions, such as SONIA (the Sterling Over Night Index Average). The speech envisaged the current LIBOR arrangements continuing until at least the end of 2021.

Ongoing international and/or national reform initiatives and the increased regulatory scrutiny of benchmarks generally could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any applicable regulations or requirements. Such factors may discourage market participants from continuing to administer or contribute to benchmarks, trigger changes in the rules or methodologies used in respect of benchmarks, and/or lead to the disappearance of benchmarks, including LIBOR. This could result in (i) adjustments to the terms and conditions and/or early redemption provisions and/or provisions relating to discretionary valuation by the Calculation Agent, (ii) delisting, and/or (iii) other consequences for Securities linked to any such benchmarks. Any such consequence could have a material adverse effect on the value of and return on any such Securities.

(i) **It may not be possible to use the Securities as a perfect hedge against the market risk associated with investing in the Underlying Asset(s)**

It may not be possible to use the Securities as a perfect hedge against the market risk associated with investing in the Underlying Asset(s) and there are complexities of using the Securities in this manner. For example, the value of the Securities may not exactly match the value of the Underlying Asset(s). Due to fluctuating supply and demand for the Securities, there is no assurance that the value of the Securities will match changes in the value of the Underlying Asset(s). It may also not be possible to purchase or sell the Securities at the prices used to calculate the value of the Underlying Asset(s).

(j) **There may be regulatory consequences to Securityholders holding Securities linked to an Underlying Asset**

There may be regulatory and other consequences associated with the holding by certain Securityholders of Securities linked to an Underlying Asset. Each prospective investor must conduct its own investigations into its regulatory position with respect to a potential investment in the Securities or consult advisers as it considers appropriate.

6. Risks associated with Securities that are linked to one or more particular types of Underlying Assets

(oo) Risks associated with Shares

(i) Factors affecting the performance of Shares may adversely affect the value of Securities

The performance of Shares is dependent upon macroeconomic factors, such as interest and price levels on the capital markets, currency developments, political factors as well as company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(ii) Actions by CSi of a Share may adversely affect the Securities

CSi of a Share will have no involvement in the offer and sale of the Securities and will have no obligation to any Securityholders. CSi of a Share may take any actions in respect of such Share without regard to the interests of the Securityholders, and any of these actions could adversely affect the market value of and return on the Securities.

(iii) Determinations made by CSi in respect of Potential Adjustment Events and Extraordinary Events may have an adverse effect on the value of the Securities

The adjustment events referred to in risk factor (h) (*In certain circumstances, CSi may redeem the Securities (other than due to a mandatory automatic early redemption event or exercise of a Call Option) prior to their scheduled maturity. The Early Redemption Amount payable on such early redemption may be less than the issue price or the purchase price and investors may therefore lose some or all of their investment and may not be able to reinvest the proceeds in another investment offering a comparable return*) include, in respect of Shares, Potential Adjustment Events and Extraordinary Events (as defined below). Potential Adjustment Events include (A) a sub-division, consolidation or re-classification of Shares, (B) an extraordinary dividend, (C) a call of Shares that are not fully paid-up, (D) a repurchase by the Share issuer, or an affiliate thereof, of the Shares, (E) a separation of rights from Shares or (F) any event having a dilutive or concentrative effect on the value of Shares. The Extraordinary Events include (1) a delisting of Shares on an exchange, (2) an insolvency or bankruptcy of CSi of the Shares, (3) a merger event entailing the consolidation of Shares with those of another entity, (4) a nationalisation of CSi of the Shares or transfer of Shares to a governmental entity, or (5) a tender offer or takeover offer that results in transfer of Shares to another entity.

Upon determining that a Potential Adjustment Event or an Extraordinary Event has occurred in relation to a Share or Share issuer, CSi has discretion to make certain determinations to account for such event including to (aa) make adjustments to the terms of the Securities (without the consent of Securityholders), and/or (bb) (in the case of an Extraordinary Event) (x) cause an early redemption of the Securities prior to their scheduled maturity by payment of an Early Redemption Amount instead of the Final Redemption Amount, any of such determinations may have an adverse effect on the value of and return on the Securities. Following a determination by CSi above, no other amounts shall be payable in respect of the Securities on account of interest or otherwise.

In making any such adjustments or determinations, CSi in such capacity will (whether or not already expressed to be the case in the Conditions) act in good faith and in a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) shall take into account whether fair treatment is achieved by any such adjustments or determinations in accordance with its applicable regulatory obligations.

Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

(iv) Loss of return of dividends in respect of most Securities linked to Shares

Unless the terms and conditions of the Securities specify otherwise, holders of such Securities in respect of which an Underlying Asset is a Share will not participate in dividends or other distributions paid on such Share. Therefore, the return on such Securities will not reflect the return a Securityholder would have realised had it actually owned such Shares and received the dividends in respect of them.

(pp) **Risks associated with Equity Indices**

- (i) *Factors affecting the performance of Indices may adversely affect the value of and return on the Securities*

Indices are comprised of a synthetic portfolio of shares or other assets, and as such, the performance of an Index is dependent upon the macroeconomic factors relating to the shares or other components that comprise such Index, which may include interest and price levels on the capital markets, currency developments, political factors and (in the case of shares) company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

- (ii) *Returns on Securities will not be the same as a direct investment in futures or options on the Index or in the underlying components of the Index*

An investment in the Securities linked to Indices is not the same as a direct investment in futures or option contracts on any or all of the relevant Indices nor any or all of the constituents included in each Index. In particular, investors will not benefit directly from any positive movements in any Index nor will investors benefit from any profits made as a direct result of an investment in such Index. Accordingly, changes in the performance of any Index may not result in comparable changes in the market value of or return on the Securities linked to such Index.

- (iii) *Loss of return of dividends in respect of most Securities linked to Indices*

The rules of an Index might stipulate that dividends distributed on its components do not lead to a rise in the Index Level, for example, if it is a "price" index. As a result, holders of Securities linked to such Index would lose the benefit of any dividends paid by the components of the Index and such Securities would not perform as well as a position where such holder had invested directly in such components or where they invested in a "total return" version of the Index. Even if the rules of the relevant underlying Index provide that distributed dividends or other distributions of the components are reinvested in the Index and therefore result in raising its level, in some circumstances the dividends or other distributions may not be fully reinvested in such Index.

- (iv) *A change in the composition or discontinuance of an Index could have a negative impact on the value of the Securities*

The sponsor of an Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The changing of the components of an Index may affect the level of such Index as a newly added component may perform significantly worse or better than the component it replaces, which in turn may adversely affect the value of and return on the Securities. The sponsor of an Index may also alter, discontinue or suspend calculation or dissemination of such Index. The sponsor of an Index will have no involvement in the offer and sale of the Securities and will have no obligation to any investor in such Securities. The sponsor of an Index may take any actions in respect of such Index without regard to the interests of the investor in the Securities, and any of these actions could have an adverse effect on the value of and return on the Securities.

- (v) *Occurrence of Index Adjustment Events*

Upon determining that an Index Adjustment Event has occurred in relation to an Index, CSi has the discretion to make certain determinations and adjustments to account for such event including to (A) make adjustments to the terms of the Securities (without the consent of Securityholders), and/or (B) cause an early redemption of the Securities prior to their scheduled maturity by payment of an Early Redemption Amount instead of the Final Redemption Amount, any of such determinations may have an adverse effect on the value of and return on the Securities. Following a determination by CSi in accordance with (B), no other amounts shall be payable in respect of the Securities on account of interest or otherwise.

In making any such adjustments or determinations, CSi in such capacity will (whether or not already expressed to be the case in the Conditions) act in good faith and in a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) shall take into account whether fair treatment is achieved by any such adjustments or determinations in accordance with its applicable regulatory obligations.

Please refer to the section headed "Overview of the Potential for Discretionary Determinations by CSi" for more information.

7. Risks associated with calculations and determinations by the Issuer and conflicts of interest between the Issuer and holders of Securities

(a) Exclusion of liability for calculations and determinations

The terms of the Securities may contain an exclusion of liability or responsibility on the part of CSi (in its capacity as Issuer or otherwise) for errors or omissions in its calculations or determinations with regard to the Securities, whether caused by negligence or otherwise. If that is the case, investors may have no ability to take legal action against CSi for any loss or damage suffered as a result of such error or omission.

(b) Calculations and determinations under the Securities

In making calculations and determinations with regard to the Securities, there may be a difference of interest between the Securityholders and CSi. Save where otherwise provided in the terms and conditions, CSi is required to act in good faith and in a commercially reasonable manner but does not have any obligations of agency or trust for any investors and has no fiduciary obligations towards them. In particular, CSi and its affiliated entities may have interests in other capacities (such as other business relationships and activities). Prospective investors should be aware that any determination made by CSi may have a negative impact on the value of and return on the Securities.

Each of CSi, the Dealer or any of their respective affiliates may have existing or future business relationships with each other (including, but not limited to, lending, depository, derivative counterparty, risk management, advisory and banking relationships), and when acting in such other capacities CSi, the Dealer or any of their respective affiliates may pursue actions and take steps that it deems necessary or appropriate to protect its interests arising therefrom without regard to the consequences for any particular Securityholder.

(c) Hedging and dealing activities in relation to the Securities and Underlying Asset(s)

In the ordinary course of its business CSi and/or any of its affiliates may effect transactions for its own account or for the account of its customers and may enter into one or more hedging transactions with respect to the Securities or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by CSi and/or any of its affiliates, CSi and/or any of its affiliates may enter into transactions in or in respect of the Underlying Asset(s) or related derivatives which may affect the market price, liquidity, value of or return on the Securities and which could be adverse to the interest of the relevant Securityholders.

For example, CSi (itself or through an affiliate) may hedge CSi's obligations under the Securities by purchasing futures and/or other instruments linked to the Underlying Asset(s) or (if an Index) the stocks or other components underlying the Underlying Asset(s). CSi (or affiliate) may adjust its hedge by, among other things, purchasing or selling any of the foregoing, and perhaps other instruments linked to the Underlying Asset(s) or (if applicable) the components, at any time and from time to time, and may unwind the hedge by selling any of the foregoing on or before the maturity or settlement date (as applicable) for the Securities. CSi (or affiliate) may also enter into, adjust and unwind hedging transactions relating to other securities whose returns are linked to changes in the level, price, rate or other applicable value of the Underlying Asset(s) or (if applicable) the components. Any of these hedging activities may adversely affect the level, price, rate or other applicable value of the Underlying Asset(s) — directly or (if applicable) indirectly by affecting the level, price, rate or other applicable value of underlying components — and therefore the value of and return on the Securities. It is possible that CSi (or affiliate) could receive substantial returns with respect to such hedging activities while the value of and return on the Securities may decline.

Moreover, CSi (or affiliate) may also engage in trading in one or more of the Underlying Asset(s) or (if applicable) the components or instruments whose returns are linked to the Underlying Asset(s) or (if applicable) the components, for its proprietary accounts, for other accounts under its management or to facilitate transactions, including block transactions, on behalf of customers. Any of these activities of CSi (or affiliate) could adversely affect the level, price, rate or other applicable value of the Underlying Asset(s) — directly or (if applicable) indirectly by affecting the level, price, rate or other applicable value of the components — and therefore, the value of and return on the Securities. CSi (or affiliate) may issue or underwrite, other securities or financial or derivative instruments with returns linked to changes in the level, price, rate or other applicable value of the Underlying Asset(s) or (if applicable) one or more of the components, as applicable. By introducing competing products into the marketplace in this manner, CSi (or affiliate) could adversely affect the value of and return on the Securities.

(d) **Confidential information relating to the Underlying Asset(s)**

CSi and its affiliates (and any of their employees) may from time to time, by virtue of their status as underwriter, advisor or otherwise, possess or have access to information relating to the Underlying Asset(s) and any derivative instruments referencing them. None of CSi or its affiliates will be obliged (and may be subject to legal prohibition) to disclose any such information to an investor in the Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The Listing Supplement and this Supplement should be read and construed in conjunction with the following document which shall be deemed to be incorporated in, and form part of, the Listing Supplement and the Supplement and supplement the section entitled "*Documents Incorporated by Reference*" of the Listing Supplement:

- (a) The registration document of CSi dated 29 November 2017 (the "**CSi Registration Document**") approved by the UK Listing Authority (as may be supplemented and/or replaced from time to time) is incorporated by reference in respect of CSi. The latest CSi Registration Document and any supplements thereto are available at <https://www.credit-suisse.com/media/ib/docs/investment-banking/financial-regulatory/international/csi-registration.pdf>.
- (b) The annual and current reports, including interim financial information, and other relevant information of CSi, are incorporated by reference in respect of CSi and are available at <https://www.credit-suisse.com/ch/en/investment-banking/financial-regulatory/international.html>

Copies of this Supplement will be available for inspection during normal business hours on any business day (except Saturdays, Sundays and legal holidays) at the offices of the Paying Agents. In addition, copies of the documents incorporated by reference in this Supplement (and any document incorporated by reference therein) will be available free of charge during normal business hours on any business day (except Saturdays, Sundays and legal holidays) at the offices of the Paying Agents and at the registered office of CSi.

OVERVIEW OF THE POTENTIAL FOR DISCRETIONARY DETERMINATIONS BY CSI

The sections in the Listing Supplement entitled "What are the types of events that could give rise to a discretionary determination by the Issuer?", "Why is it necessary for the Issuer to make discretionary determination following the occurrence of such events?", "If such an event occurs, what actions can the Issuer take?" and "Where can I find more information?" under "OVERVIEW OF THE POTENTIAL FOR DISCRETIONARY DETERMINATIONS BY CSI" shall be updated by the information below.

What are the types of events that could give rise to a discretionary determination by the Issuer?	<p>Broadly, there are three types of events that could give rise to a discretionary determination by CSI:</p> <ul style="list-style-type: none"> (qq) if CSI's obligations under the Securities (depending on the terms of the particular Securities) or its related hedging arrangements become or will become illegal; (rr) external events which affect the Underlying Asset(s); and (ss) (depending on the terms of the particular Securities) external events which affect CSI's hedging arrangements.
Why is it necessary for the Issuer to make discretionary determination following the occurrence of such events?	<p>CSI may be unable to continue to perform its obligations under the Securities or its related hedging arrangements or other related activities involving the Underlying Assets if they become or will become illegal. In that case, (depending on the terms of the particular Securities) CSI may need to (a) adjust the terms of the Securities so that it is no longer illegal for it to perform its obligations, (b) early redeem the Securities or (c) substitute the relevant Underlying Asset.</p> <p>Where the Securities are linked to one or more Underlying Assets, the investment objective of the Securities is to allow an investor to gain an economic exposure to the Underlying Asset(s). If an Underlying Asset is materially impacted by an unexpected event – for example, (a) a company merges and the original stock that formed an Underlying Asset is restructured or changed, (b) the rules of an index that is an Underlying Asset are materially modified or (c) a material change to the investment objective and strategy of a fund that is an Underlying Asset – then it may not be possible to achieve the investment objective of the Securities based on the original terms and conditions of the Securities. CSI will need to make certain discretionary determinations in order to preserve the original economic objective and rationale of the Securities.</p> <p>In addition, CSI or its affiliates or the hedging entity may enter into hedging arrangements in order to manage its exposure in relation to its payment obligations under the Securities and to enable it to issue the Securities at the relevant price and on the relevant terms. If the amount(s) payable by CSI under the Securities depend on the performance of the Underlying Asset(s) or an interest rate, the hedging arrangements may involve (a) holding the Underlying Asset(s) directly, or (b) entering into derivative contracts with counterparties to receive a corresponding economic exposure to the Underlying Asset(s) or the relevant interest rate, or to hedge the interest rate, currency rate or price risk in relation to the Underlying Asset(s) or the Securities. The exercise of CSI's discretion is necessary if an external event occurs subsequent to the issuance of the Securities which negatively impacts CSI's hedging arrangements or the costs of maintaining such hedging arrangements. The occurrence of such unanticipated external events is unlikely to have been reflected in the original pricing of the Securities.</p>

<p>If such an event occurs, what actions can the Issuer take?</p>	<p>Broadly, depending on the terms of the Securities (and bearing in mind that different terms may apply to different types of Underlying Assets and where specified to be applicable in the relevant Pricing Supplement), CSi may take one or more of the following actions in order to deal with the effect of the events outlined above:</p> <p>(a) Adjustments to the terms and conditions of the Securities: CSi may adjust the terms and conditions of the Securities to account for the economic effect of the external event on the Underlying Asset(s) or (where applicable in relation to the particular Securities) on its hedging arrangements or other related activities involving the Underlying Assets, and to preserve the original economic objective and rationale of the Securities. This may include adjustments to the amount(s) payable and/or any variable relevant to payment under the Securities.</p> <p>(b) Substitution of the Underlying Asset(s): In respect of Share Securities, Share Basket Securities and Reverse Convertible Securities (in each case where "Share Substitution" is specified to be applicable in the relevant Pricing Supplement), following an Extraordinary Event or Additional Disruption Event (in each case as described above), CSi may substitute the Underlying Asset(s) with a replacement asset satisfying the criteria set out in the applicable Terms and Conditions. CSi may also make adjustments to the terms and conditions of the Securities to account for the Extraordinary Event and the replacement of the original Underlying Asset, and to preserve the original economic objective and rationale of the Securities.</p> <p>(c) Early redemption and/or payment of the Early Redemption Amount: In certain situations, if CSi determines that no adjustment to the terms and conditions would lead to a commercially reasonable result or the Underlying Asset(s) cannot be replaced with a suitable substitute asset (if applicable), CSi may early redeem the Securities prior to their scheduled maturity by payment of an Early Redemption Amount instead of the Final Redemption Amount, as the case may be, and no other amounts shall be payable in respect of the Securities on account of interest or otherwise following such determination by CSi, provided that, in respect of Instalment Securities, notwithstanding the occurrence of such an event, each Instalment Amount scheduled to be paid (but unpaid) on an Instalment Date falling on or after the Unscheduled Termination Event Date shall continue to be paid such Instalment Date. See "<i>How is the Early Redemption Amount calculated?</i>" below.</p>
<p>Where can I find more information?</p>	<p>See risk factors 3(h) (<i>In certain circumstances, CSi may redeem the Securities (other than due to a mandatory automatic early redemption event) prior to their scheduled maturity. The Early Redemption Amount payable on such early redemption may be less than the issue price or the purchase price and investors may therefore lose some or all of their investment and may not be able to reinvest the proceeds in another investment offering a comparable return</i>) and 4(j) (<i>Occurrence of Additional Disruption Events</i>) for more information.</p>

CREDIT SUISSE INTERNATIONAL

The information provided below has been extracted from the CSi Registration Document and is correct as of the date of this Supplement. The section in the Listing Supplement entitled "CREDIT SUISSE INTERNATIONAL" shall be updated by the information below in its entirety.

Credit Suisse International

CSi was incorporated in England and Wales under the Companies Act 1985, on 9 May 1990, with registered no. 2500199 and operates under English law. CSi was re-registered as an unlimited company under the name "Credit Suisse Financial Products" on 6 July 1990, and was renamed "Credit Suisse First Boston International" on 27 March 2000 and "Credit Suisse International" on 16 January 2006.

CSi, a bank domiciled in England established under English law, is an indirect wholly owned subsidiary of CSG. CSi's registered head office is in London and is located at One Cabot Square, London E14 4QJ and its telephone number is +44 (0)20 7888 8888.

CSi is authorised by the PRA and regulated by the FCA and the PRA.

CSi is an unlimited liability company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of CSi in the event of its liquidation. The joint, several and unlimited liability of the shareholders of CSi to meet any insufficiency in the assets of CSi will only apply upon liquidation of CSi. Therefore, prior to any liquidation of CSi, the creditors may only have the benefit of recourse to the assets of CSi and not to those of its shareholders.

CSi commenced business on 16 July 1990. Its principal business is banking, including the trading of derivative products linked to interest rates, foreign exchange, equities, commodities and credit. The primary objective of CSi is to provide comprehensive treasury and risk management derivative product services. CSi has established a significant presence in global derivative markets through offering a full range of derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets. The business is managed as a part of the Global Markets and Investment Banking and Capital Markets Divisions of Credit Suisse AG. For more information on CSi's principal markets and activities, see sub-sections "Profile" on page 6 and "Principal products/Principal product areas" on page 47 of the 2016 CSi Annual Report.

The liquidity and capital requirements of CSi are managed as an integral part of the wider Credit Suisse framework. This includes the local regulatory liquidity and capital requirements in the UK.

Organisational Structure

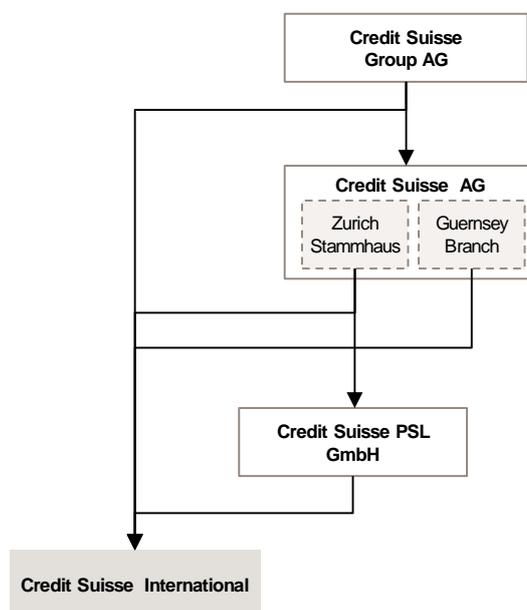
The subsidiaries of CSi which are consolidated in the financial statements contained in the 2016 CSi Annual Report are listed under sub-section "Composition of the CSi Group" on pages 82 to 84 of the 2016 CSi Annual Report. For your information on CSi's relationship to CSG, see page 6 of the 2016 CSi Annual Report.

Major Shareholders

The shareholders of CSi are:

- (a) CSG, whose head office is at Paradeplatz 8, CH-8001 Zürich, Switzerland, and who is the ultimate parent of the consolidated Credit Suisse Group which includes Credit Suisse AG;
- (b) Credit Suisse AG, a Swiss bank and a leading global bank acting through its registered head office at Paradeplatz 8, CH-8001 Zürich, Switzerland (Zürich Stammhaus) which provides its clients with private banking, investment banking and asset management services worldwide;
- (c) Credit Suisse AG, Guernsey Branch, whose place of business is at Helvetia Court, Les Echelons, South Esplanade, St Peter Port GY1 3ZQ, Guernsey was established as a Branch of Credit Suisse AG on 1 April 1986 and whose principal activities are deposit taking, bond issuing and lending the funds received within the Credit Suisse Group; and

- (d) Credit Suisse PSL GmbH, whose registered office is c/o Credit Suisse AG, Paradeplatz 8, CH-8001 Zürich, Switzerland and was incorporated in Zürich, Switzerland on 29 September 2009 and whose principal activity is to finance, purchase, hold, manage and sell financial participations in other Credit Suisse Group companies.



There is trading of shares in CSi between these shareholders and therefore the respective shareholdings will change from time to time, although CSi will remain an indirect wholly owned subsidiary of CSG.

Material Adverse Change and Significant Change

There has been no significant change in the financial position of CSi since 30 June 2017.

There has been no material adverse change in the prospects of CSi since 31 December 2016.

See pages 10 and 123 to 135 of the 2016 CSi Annual Report, and the "Risk Factor" section of this Supplement to Listing Supplement that together disclose the principal risks to the CSi.

Please see "Operating Environment" on pages 4 to 6 of the exhibit (Credit Suisse Financial Report 3Q17) to the Form 6-K Dated 2 November 2017, "Economic Environment" on pages 7 to 8 of the 2017 CSi Interim Report, "Operating environment" on pages 4 to 6 of the fifth exhibit (Credit Suisse Financial Report 2Q17) to the Form 6-K Dated 28 July 2017, "Operating environment" on pages 7 to 9 of the exhibit (Credit Suisse Financial Report 1Q16) to the Form 6-K Dated 10 May 2016, "Operating Environment" on pages 50 to 52 of the Group Annual Report 2015 and "Economic environment" on page 3 of the 2015 CSi Annual Report for information relating to the economic environment that may affect the future results of operations or financial condition of CSG and its consolidated subsidiaries, including CSi.

Names and Addresses of Directors and Executives

The business address of the members of the Board of Directors is One Cabot Square, London E14 4QJ.

The current members of the Board of Directors, their role within CSi and their principal activities outside CSi, if any, are as follows:

Board Member	External Activities
Noreen Doyle (Non- Executive Chair)	<ul style="list-style-type: none"> ○ Independent member and Chair of the Board of Directors, the Nomination and the Advisory Remuneration Committee, independent member

	<p>of the Risk Committee of CSi and Credit Suisse Securities (Europe) Limited.</p> <ul style="list-style-type: none"> ○ Ms. Doyle is also: <ul style="list-style-type: none"> ▪ Chair of the Board of the BBA; and ▪ Chair of the Board of Directors and Nominating Committee and of the Executive-Finance Committee and Member of the Audit Committee of Newmont Mining Corporation.
Paul Ingram	<ul style="list-style-type: none"> ○ Managing Director in the CRO division of CSi. ○ Mr. Ingram is also Chief Risk Officer of CSi and Credit Suisse Securities (Europe) Ltd. ○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.
Christopher Horne	<ul style="list-style-type: none"> ○ Managing Director in the CFO division of CSi. ○ Mr. Horne is also Deputy CEO of CSi and Credit Suisse Securities (Europe) Ltd. ○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited, Credit Suisse Investment Holdings (UK) and Credit Suisse Investments (UK).
Alison Halsey (Non-Executive)	<ul style="list-style-type: none"> ○ Independent member of the Board of Directors, Chair of the Audit and Conflicts Committee and Member of the Risk and the Nomination Committee of CSi and Credit Suisse Securities (Europe) Limited. ○ Ms. Halsey is also: <ul style="list-style-type: none"> ▪ Non-executive Director and Member of the Risk, Compliance and Nominations Committees and Chair of the Audit Committee of Aon UK Limited.
David Mathers (CEO)	<ul style="list-style-type: none"> ○ Managing Director in the CFO division of Credit Suisse AG. ○ Mr. Mathers is also CEO of CSi and Credit Suisse Securities (Europe) Ltd and CFO of Credit Suisse AG. ○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.
Eraj Shirvani	<ul style="list-style-type: none"> ○ Global head of GM Solutions. ○ UK Head of GM Credit & Solutions. ○ UK Head of GM Equities (Interim). ○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited. ○ Mr. Shirvani is a member of the Board of Directors of: <ul style="list-style-type: none"> ▪ Association for Financial Markets in Europe (AFME); and ▪ Global Financial Markets Association (GFMA)
Robert Endersby (Non-Executive)	<ul style="list-style-type: none"> ○ Independent member of the Board of Directors, Chair of the Risk Committee and Member of the Audit, the Advisory Remuneration and the Conflicts Committee of CSi and Credit Suisse Securities (Europe) Limited. ○ Mr. Endersby is also Non-executive Director, Chair of Risk Committee, Member of Audit Committee, Remuneration Committee and Disclosure Committee of Tesco Personal

	Finance Group Limited and Tesco Personal Finance Plc.
Caroline Waddington	<ul style="list-style-type: none"> ○ Managing Director in the CFO division of CSi. ○ Ms. Waddington is also Regional CFO for Credit Suisse UK Regulated Entities including CSi and Chair of the UK Pension Committee. ○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited and a Member of the Board of Directors of Credit Suisse Investment Holdings (UK) and Credit Suisse Investments (UK). ○ Ms. Waddington is a member of the Board of Directors of: <ul style="list-style-type: none"> ▪ NameCo (No. 357) Limited; ▪ Roffey Park Institute Limited; and ▪ Brook House (Clapham Common) Management Company Limited.
John Devine (Non-Executive)	<ul style="list-style-type: none"> ○ Independent member of the Board of Directors, the Audit, the Nomination and the Conflicts Committee of CSi and Credit Suisse Securities (Europe) Limited. ○ Mr. Devine is also: <ul style="list-style-type: none"> ▪ Non-Executive Director, Chair of Audit Committee, Member of Risk Committee and Remuneration Committee of Standard Life Aberdeen PLC; and ▪ Non-Executive Director, Chair of Audit Committee, Member of Risk Committee and Nominations Committee of Citco Custody (UK) Ltd and Citco Custody Holding Ltd Malta.

Pages 1 to 5 and 22 to 23 of the 2016 CSi Annual Report provide further information on CSi's Board of Directors.

Directors' Conflicts of Interest

There are no potential conflicts of interest of the members of the Board of Directors between their duties to CSi and their private interests and/or other duties. Potential conflicts of interest of members of the Board of Directors due to roles held with CSG / Credit Suisse AG are managed by a Board Conflicts Committee and Conflicts Management Framework.

Legal and Arbitration Proceedings

During the period of 12 months ending on the date of the CSi Registration Document there have been no governmental, legal or arbitration proceedings which may have, or have had in the past, significant effects on the financial position or profitability of CSi and its consolidated subsidiaries, and CSi is not aware of any such proceedings being either pending or threatened, except as disclosed in the 2016 CSi Annual Report (under the heading Contingent Liabilities and Other Commitments on pages 81 to 82) and below:

- CSi is defending a EUR 170 million clawback claim brought by the Winding up Committee ("**WUC**") of Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim relates to the issuance of ten credit-linked notes issued in 2008, which the WUC is seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSi. The WUC is also claiming significant penalty interest under Icelandic law. CSi argues that the purchase of the credit linked notes is governed by English law, which does not provide a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting

CSi's position that the governing law of the transactions is relevant. Separately, CSi is pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSi acquired the security rights following Kaupthing Bank hf's insolvency in 2008. In December 2016 CSi and Kaupthing ehf (formerly Kaupthing Bank hf) entered into a confidential settlement agreement bringing an end to these proceedings.

- Rosserlane and Swinbrook -v- CSi. CSi is the defendant in English court litigation brought by Rosserlane Consultants Limited and Swinbrook Developments Limited (the "**claimants**"). The litigation relates to the forced sale by CSi in 2008 of Caspian Energy Group LP ("**CEG**"), the vehicle through which the claimants held a 51 per cent. stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful M&A processes. The claimants allege that CEG should have been sold for at least USD 700 million. CSi is vigorously defending the claims, which it believes are without merit. The trial commenced in October 2014 and on 20 February 2015 the case was dismissed and judgment given in favour of CSi. The claimants appealed the judgment and in January 2017 the Court of Appeal ruled in CSi's favour.
- CSi is the defendant in German court litigation brought by Stadtwerke Munchen GmbH, a German water utility company (the "**claimant**"). The litigation relates to a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the trades at inception. The claimant seeks damages of EUR 58 million, repayment of EUR 103 million of collateral held by CSi and its consolidated subsidiaries and release from all future obligations under the trades. Witness hearings are took place in 2017 with further hearings scheduled for H1 2018.
- Credit Suisse is responding to requests from regulatory and enforcement authorities related to Credit Suisse's arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiaca de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and Credit Suisse's subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. Credit Suisse has been cooperating with the authorities on this matter.

Provision for litigation is disclosed in Note 21 to the interim consolidated financial statements on pages 33 to 34 of the 2017 CSi Interim Report.

Auditor

CSi's auditor is KPMG LLP, 15 Canada Square, London E14 5GL. KPMG LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

Further information on CSi's auditor may be found on pages 23 to 25 of the 2016 CSi Annual Report.

Financial Information

Financial information relating to CSi is contained in its Annual Reports for the years ended 31 December 2015 and 31 December 2016 (the "**CSi Annual Reports**") which are incorporated by reference in the CSi Registration Document. Financial information in the CSi Annual Reports has been audited. CSi's Annual Reports are available to the public on the CSG website at <https://www.credit-suisse.com/ch/en/investment-banking/financial-regulatory/international.html>.

TAXATION

The section in the Listing Supplement entitled "PROPOSED FINANCIAL TRANSACTION TAX" shall be deleted and the sections in the Listing Supplement entitled "UNITED KINGDOM" under "TAXATION" shall be updated by the information below.

UNITED KINGDOM

The following statements are by way of a general guide only to holders of Securities. They are not exhaustive and do not constitute tax advice. Holders of Securities are therefore advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Securities under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

The information below relates only to United Kingdom taxation and is applicable to United Kingdom residents who are the beneficial owners of Securities and hold the Securities as an investment, and does not apply to other categories of taxpayers such as dealers in shares and securities. It is based on United Kingdom tax law and HM Revenue and Customs published practice at the date of this Listing Supplement. The United Kingdom tax treatment of prospective holders of Securities depends on their individual circumstances and may be subject to change in the future. Anyone who is unsure of their tax treatment in relation to Securities should seek independent professional advice.

Withholding taxes

Provided that CSi continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the "**Act**"), and provided that the interest on the Securities is paid in the ordinary course of its business within the meaning of section 878 of the Act, CSi will be entitled to make payments of interest under the Securities without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Securities may also be made without withholding or deduction for or on account of United Kingdom income tax if the Securities are listed on a "recognised stock exchange" within the meaning of section 1005 of the Act.

Interest on the Securities may also be paid without withholding or deduction for or on account of United Kingdom tax where interest on the Securities is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, CSi reasonably believes (and any person by or through whom interest on the Securities is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue & Customs have not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Securities may also be paid without withholding or deduction for or on account of United Kingdom tax where the maturity of the Securities is less than 365 days and which are not issued under arrangements the effect of which is to render such Securities as part of a borrowing with a total period of a year or more.

In other cases, an amount must generally be withheld from payments of interest on the Securities issued by CSi on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Securityholder, HM Revenue & Customs can issue a notice to CSi to pay interest to the Securityholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The references to "interest" above mean "interest" as understood in United Kingdom tax law (which in certain cases could include a premium or a discount). 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 Securities or any related documentation.