

## **Amendment to Program Information**

**Credit Suisse International**

## AMENDMENT TO PROGRAM INFORMATION

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Date of Announcement:	21 November 2018
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Information on initial Program Information:	
Date of Announcement:	26 April 2018
Scheduled Issuance Period:	27 April 2018 to 26 April 2019
Maximum Outstanding Issuance Amount:	Unlimited

This amendment is filed to update the information included in the Program Information dated 26 April 2018 (as amended on 4 June 2018 and 27 September 2018). This constitutes an integral part of the Program Information dated 26 April 2018 (as amended on 4 June 2018 and 27 September 2018) and shall be read together with it.



## **Credit Suisse International**

### **Unlisted Securities Programme (Unlimited Program Size)**

This Supplement (the "**Supplement**") is supplemental to, and should be read in conjunction with, (i) the Listing Supplement dated 26 April 2018 (the "**Listing Supplement**") in respect of the unlisted securities programme (the "**Programme**") established by Credit Suisse International ("**CSi**" or the "**Issuer**") on 17 June 2011 for the issuance of notes (the "**Notes**"), certificates or warrants of CSi and CS, (ii) any other documents incorporated by reference therein and (iii) in relation to any particular Notes, the Pricing Supplement relating to those Notes. 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 21 November 2018

*The new sections entitled "Types of underlying assets" and "EU Benchmark Regulation: Article 29(2) statement on benchmarks" shall be added after the section entitled "Pricing Supplement", the sections in the Listing Supplement entitled "Risk Factors" shall be updated by the information below in the Listing Supplement, the sections entitled "Prohibition of sales to EEA RETAIL INVESTORS" and "United States restrictions" shall be updated after the section entitled "Risk Factors", and "The distribution of the Listing Supplement and this Supplement to Listing Supplement" shall be added after the section entitled "Prohibition of sales to EEA RETAIL INVESTORS" under "Risk Factors" in the Listing Supplement.*

### **Types of underlying assets**

The economic or "payout" terms of the Notes may be linked to movements in one or more of the following types of underlying assets (each, an "**Underlying Asset**"):

- an equity share;
- an equity index; or
- an exchange-traded fund.

The interest payable under certain Notes issued under this Listing Supplement may also be calculated by reference to a fixed rate of interest or a reference rate for determining floating rate interest.

### **EU Benchmark Regulation: Article 29(2) statement on benchmarks**

Amounts payable under the Notes may be calculated by reference to one or more specific indices, rates or price sources or a combination of indices, rates or price sources. Any such index, rate or price source may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**EU Benchmark Regulation**"). In cases where amounts payable under Notes are calculated by reference to one or more indices, rates or price sources, the relevant Pricing Supplement will specify:

- the name of each index, rate or price source so referenced;
- the legal name of the administrator of each such index, rate or price source; and
- whether or not the legal name of the administrator of each such index, rate or price source appears on the register (the "**Benchmark Register**") of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of EU Benchmark Regulation at the date of the relevant Pricing Supplement.

Not every index, rate or price source will fall within the scope of the EU Benchmark Regulation. Where an index, rate or price source falls within the scope of the EU Benchmark Regulation, the transitional provisions in Article 51 or the provisions of Article 2 of the EU Benchmark Regulation may apply, such that the administrator of such index, rate or price source is not at the date of the relevant Pricing Supplement required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

The registration status of any administrator under the EU Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Pricing Supplement to reflect any change in the registration status of the administrator.

### **Potential for Discretionary Determinations by the Issuer under the Notes**

Under the terms and conditions of the Notes, following the occurrence of certain events outside of its control, the Issuer may determine in its discretion to take one or more of the actions available to it in order to deal with the impact of such event on the Notes or the Issuer or both. It is possible that any such discretionary determinations by the Issuer could have a material adverse impact on the value of and return on the Notes. An overview of the potential for discretionary determinations by the Issuer under the Notes is set forth in the section headed "Overview of the Potential for Discretionary Determinations by the Issuer" on pages

57 to 61 of this Supplement to Listing Supplement.

## **Risk Factors**

### **Prohibition of sales to EEA RETAIL INVESTORS**

The Notes 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 "**PRIPs Regulation**") for offering or selling the Notes or otherwise making them available to EEA Retail Investors has been prepared and therefore offering or selling such Notes or otherwise making them available to any EEA Retail Investor may be unlawful under the PRIIPS Regulation.

### **The distribution of the Listing Supplement and this Supplement to Listing Supplement is restricted**

The distribution of the Listing Supplement and this Supplement to Listing Supplement and the offering or sale of the Notes 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 Notes and the distribution of this document and other offering materials relating to the Notes, please refer to the section headed "Sale and Subscription" of Annex (*Programme Memorandum*) of the Listing Supplement.

### **United States restrictions**

The Notes have not been and will not be registered under the U.S. Notes Act of 1933 (the "**Notes 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 Notes Act and applicable state Notes laws. A further description of the restrictions on offers and sales of the Notes in the United States or to U.S. persons is set out in the section headed "Sale and Subscription – United States" of Annex (*Programme Memorandum*) of the Listing Supplement.

## OVERVIEW OF THE PROGRAMME

*The sections in the Listing Supplement entitled "Description of CREDIT SUISSE INTERNATIONAL", "Status of Notes", "Underlying Assets", "Adjustments", "Key risks relating to the Issuer" and "Key risks relating to the Notes" under "OVERVIEW OF THE PROGRAMME" shall be updated by the information below.*

### Description of CREDIT SUISSE INTERNATIONAL

The Issuer is an unlimited company incorporated in England and Wales. The Issuer is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA and operates under English law. Its 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.

### Status of Notes

The Notes are unsubordinated and unsecured obligations of the Issuer and will rank equally among themselves and with all other unsubordinated and unsecured obligations of the Issuer from time to time outstanding.

### Underlying Assets

The amount payable in respect of Notes may be linked to the performance of one or more shares (which may include depositary receipts), equity indices, exchange traded funds, and/or other variables.

### Adjustments

The terms and conditions of the Notes contain provisions dealing with non-business days, non-scheduled trading days, disruption events, adjustment events, extraordinary events and other events affecting the Issuer's hedging arrangements, the Underlying Asset(s) or the relevant reference rate (s) which may affect the timing and calculation of payments and may result in the Notes being redeemed prior to their scheduled maturity and/or adjustments being made to the Notes.

### Key risks relating to the Issuer

Notes are general unsecured obligations of the Issuer. Noteholders are exposed to the risk that an Issuer could become insolvent and fail to make the payments owing by it under the Notes.

The Issuer is exposed to a variety of risks that could adversely affect its operations and/or financial condition, including liquidity risk, market risk, credit risk, risk 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 risks, competition risks, conduct risk, technology risk and reputational risk and the risks of regulatory action in the event that it is failing or the UK resolution authority considers that it is likely to fail.

### Key risks relating to the Notes

**Investors may lose some or all of their investment if one or more of the following occurs:** (a) the Notes 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 Notes, (b) the Issuer fails and is unable to make payments owing under the Notes, (c) any adjustments are made to the terms and conditions of the Notes following certain events affecting the Issuer's hedging arrangements or the underlying asset(s), that result in the amount payable or shares delivered being reduced, or (d) investors sell their Notes 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. The Issuer 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 Notes involves substantial risks and an investment in Notes 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 Notes 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 Notes should ensure that they understand the nature of the Notes 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 the Listing Supplement and this Supplement to Listing Supplement and any documents incorporated by reference herein. The Listing Supplement and this Supplement to Listing Supplement cannot disclose whether the Notes 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 the Listing Supplement and this Supplement to Listing Supplement.

A secondary market for the Notes may not develop and, if one does develop, it may not provide the holders of the Notes with liquidity and may not continue for the life of the Notes. The Issuer may, but is not obliged to, purchase the Notes 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 Notes sold to investors after the Notes have been issued, the Issuer may cancel some of the Notes if the amount or number of Notes subscribed for or purchased is less than the aggregate nominal amount or number of Notes (as applicable) issued on the Issue Date. The market for the Notes may be limited. The only way in which a holder can realise value from a Note prior to its maturity is to sell it at its then market price in the market. The price in the market for a Note 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 holder sells its Notes in the market may reflect a commission or a dealer discount, which would further reduce the proceeds it would receive for its Notes. If you sell your Notes prior to the Maturity Date or the Settlement Date, as the case may be, you may suffer a substantial loss. Any investor in the Notes must be prepared to hold such Notes for an indefinite period of time or until redemption or expiry of the Notes.

Where amounts payable under Notes are linked to one or more Underlying Assets, an investment in the Notes 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 the Issuer 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 referenced by such Notes;
- if the Notes 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 participation rate of the Notes is less than 100 per cent., an investor will not participate fully in the performance (whether positive or negative) of the Underlying Asset(s). In such case, 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 a reliable 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 Notes, and such fluctuations may affect the value of and return on the Notes.

Before purchasing Notes, investors should ensure that they understand the unique nature, characteristics and risks of the Underlying Asset(s), and how the value of the Notes 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) an Underlying Asset may be denominated or priced in currencies other than the currency in which the Notes are denominated, or (b) the Notes 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 Notes may therefore increase or decrease as a result of fluctuations in those currencies.

In certain circumstances, the Issuer may make adjustments to the terms of the Notes (including substituting or replacing an Underlying Asset or reference rate, as the case may be) or redeem or cancel them at an Early Redemption Amount as determined by it without the consent of the Noteholders. Such Early Redemption Amount may be less than the issue price or purchase price of the Notes and may be as low as zero. In making any such adjustments or determinations, the Issuer 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 the Issuer" for more information.

The Issuer 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 Noteholders and the Issuer;
- in the ordinary course of its business the Issuer (or an affiliate) may effect transactions for its own account and may enter into hedging transactions with respect to the Notes or Underlying Asset(s) which may affect the market price, liquidity or value of the Notes;
- the Issuer (or an affiliate, or any employees thereof) may have confidential information in relation to an Underlying Asset or any derivative instruments referencing it, but which the Issuer is under no obligation (and may be subject to legal prohibition) to disclose; and
- in relation to proprietary indices sponsored by the Issuer or an affiliate.

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

Save for any fees payable to the Dealer(s) and/or distributor(s) and unless otherwise specified in the relevant Pricing Supplement, so far as the Issuer is aware, no person involved in the issue or offer of the Notes has an interest material to such issue or offer.

The applicable terms and conditions of the Notes 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.*

**Warning: The terms and conditions of certain Notes issued under the Listing Supplement and this Supplement to Listing Supplement may not provide for scheduled repayment in full of the issue or purchase price at maturity. In such case, you may lose some or all of your investment.**

**Even if the relevant Notes do 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 Notes, you will still be exposed to the credit risk of the Issuer and will lose up to the entire value of your investment if the Issuer either fails or is otherwise unable to meet its payment obligations. The Notes 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 Notes prior to maturity in the secondary market at an amount that is less than your initial purchase price;**
- **your Notes are redeemed early under their terms and conditions at the discretion of the Issuer and the Early Redemption Amount paid to you is less than the initial purchase price; or**
- **your Notes are subject to certain adjustments in accordance with the terms and conditions of the Notes that may result in any amount payable (or deliverable) on the Notes (whether at maturity or otherwise) being reduced to, or being valued at, an amount that is less than your investment.**

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<b>3. Risks relating to the Notes generally</b> (a) Potential loss of some or all of the investment (b) Limited liquidity (c) No obligation to maintain listing (d) The Issue Price may be more than the market value of the Notes (e) The market value of the Notes will be affected by many factors and cannot be predicted (f) The market value of the Notes may be highly volatile (g) Over-issuance of Notes by the Issuer (h) In certain circumstances, the Issuer may redeem the Notes (other than	<b>37</b>

<p>due to a mandatory automatic early redemption even) 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</p> <ul style="list-style-type: none"> <li>(i) In certain circumstances, the Issuer may adjust the terms of the Notes, and such adjustment may have a negative effect on the value of the Notes</li> <li>(j) Tax risks</li> <li>(k) Proposed Financial Transaction Tax</li> <li>(l) Issue of further Notes</li> <li>(m) Risk of cancellation of issue of Notes</li> <li>(n) The terms and conditions of the Notes may be modified without the consent of Noteholders</li> <li>(o) Risks relating to the Euro and the Euro zone</li> <li>(p) There are particular risks in relation to Notes denominated in or referencing CNY</li> </ul>	
<p><b>4. Risks associated with certain types of Notes and certain product features</b></p> <ul style="list-style-type: none"> <li>(a) Optional redemption by the Issuer</li> <li>(b) A "participation" factor of over 100 per cent. means that you may participate disproportionately in the performance of the Underlying Asset(s)</li> <li>(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)</li> <li>(d) The effect of averaging</li> <li>(e) 'Worst-of'</li> <li>(f) Cap</li> <li>(g) Interest rate risks</li> <li>(h) Emerging market risks</li> <li>(i) Occurrence of Additional Disruption Events</li> </ul>	<b>42</b>
<p><b>5. Risks associated with Notes that are linked to Underlying Asset(s)</b></p> <ul style="list-style-type: none"> <li>(a) Past performance of an Underlying Asset is not a reliable indicator of future performance</li> <li>(b) No rights of ownership in an Underlying Asset</li> <li>(c) Exposure to currency risks</li> <li>(d) Substitute Dividend and Dividend Equivalent Payments</li> <li>(e) Correction of published prices or levels</li> <li>(f) Non-Underlying Asset Days or disruption events may adversely affect the value of and return on the Notes</li> <li>(g) Risks associated with Notes linked to a basket of Underlying Assets</li> <li>(h) Risks associated with physical delivery of Underlying Asset(s)</li> <li>(i) Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks</li> <li>(j) Risks associated with Floating Rate Notes</li> <li>(k) Risks associated with reference rates by reference to which any amount</li> </ul>	<b>47</b>

<p>payable under the Notes is determined</p> <p>(l) It may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in the Underlying Asset(s)</p> <p>(m) There may be regulatory consequences to Noteholders holding Notes linked to an Underlying Asset</p>	
<p><b>6. Risks associated with Notes that are linked to one or more particular types of Underlying Assets</b></p> <p>(a) Risks associated with shares</p> <p>(b) Risks associated with Equity Indices</p>	<b>52</b>
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## 1. General considerations

### (a) General

The purchase of Notes involves substantial risks and an investment in the Notes 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 Notes and who have sufficient resources to be able to bear any losses that may result therefrom. The Issuer 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 Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks involved.

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

The Issuer believes that the factors described below are material for the purpose of assessing the market risks associated with the Notes and represent the material risks inherent in investing in the Notes, but these are not the only risks that the Issuer faces or that may arise under the Notes. There will be other risks that the Issuer does not currently consider to be material, or risks that the Issuer is currently not aware of, or risks that arise due to circumstances specific to the investor, and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive of all such risks.

More than one investment risk may have simultaneous effect with regard to the value of the Notes 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 Notes.

### (b) Additional information relating to Notes issued by the Issuer

Pursuant to Article 41(4) of Commission Delegated Regulation (EU) 2017/565, in respect of certain Notes issued by the Issuer, we are required to provide you with an explanation of the differences between such Notes and bank deposits in respect of the following attributes.

#### **Yield**

The yield on a bank deposit will be dependent on the interest that the bank agrees to pay on the money deposited, which may fluctuate from time to time as determined by the bank. The yield on the Notes will be dependent on its particular terms and, while the actual interest payable on the Notes may change from time to time in accordance with the terms of the Notes, the method of calculation should not fluctuate over its term. In certain circumstances, it may be the case that no interest is paid on the Notes. Where the Notes do not 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 Notes, the yield will be reduced by any loss of the initial capital which is invested.

#### **Risk**

The risk of a bank deposit reflects the credit risk of the institution with which it is held.

Subject to any protection available under the Financial Services Compensation Scheme, in the event of the bank's insolvency, you would rank as a general creditor and may lose some or all of the value of your investment including your initial capital.

The risk of repayment of the Notes principally reflects the credit risk of the Issuer; the risk on payment of any interest or return on the Notes (if any) principally will reflect market risks that affect the Underlying Assets.

Subject to any protection available under the Financial Services Compensation Scheme, as a holder of the Notes, in the event of our insolvency, your position will depend on the terms of the Notes and the application of any mandatory rules (for example, the bail-in rules under the Bank Recovery and Resolution Directive).

There are other potential risks to payment of the interest and/or repayment of the capital depending on the terms of the Notes. For example, if the Notes are redeemed early pursuant to their terms and conditions at the discretion of the Issuer, the Early Redemption Amount may, subject to the conditions and other restrictions set out in the terms and conditions, be less than the initial issue price or purchase price.

### **Liquidity**

A bank deposit is repayable on demand and an investor will, subject to the insolvency of the institution with which it is held, be able to redeem it at any point, unless the deposit is subject to particular withdrawal restrictions (e.g. term deposits), in which case liquidity will be more restricted. The Notes may only be redeemed in accordance with their terms. It may not be possible to realise your investment in the Notes before the expiry of the term or without incurring additional costs.

### **Protection**

A bank deposit held in the UK will be protected by the Financial Services Compensation Scheme which will guarantee the first £85,000 of your investment in the event of our insolvency, provided you are eligible under such scheme. Your investment in the Notes will not be protected by the Financial Services Compensation Scheme.

## **2. Risks associated with the creditworthiness of the Issuer**

### **(a) General risks**

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

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

The profitability of the Issuer 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, competition risk, conduct risk, technology risk and reputational risk. These risks are discussed in further detail below.

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

### **(b) Risks relating to the Issuer**

The Issuer faces a variety of risks that are substantial and inherent in its businesses including market risk, liquidity risk, currency risk, credit risk, country risk, legal and regulatory risk, operational risk, conduct risk, cyber risk and reputational risk. These are described in more detail below.

There have been significant changes in the way large financial service institutions are regulated over recent years. There are increased prudential requirements as well as stricter regulations on financial institutions in general and many of the reforms being discussed in wider forums have and will continue to change the way in which financial services are structured affecting the CSi group business model.

(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. The Issuer 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.

The Issuer 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 the Issuer level down to specific portfolios. The Issuer 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 the Issuer'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. The Issuer 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**").

The Issuer 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. In 2017, the Issuer changed the VaR model. The previous

model used a three-year historical dataset where all events were weighted in the same way; this was enhanced by a scaling technique that automatically increased VaR if the short-term market volatility was higher than the long-term volatility. The new model introduced in 2017 uses a two-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the model uses a time-weighting scheme in which more recent events are assigned a higher weight in the calculation. 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.

The Issuer 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 the Issuer 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 the Issuer'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 the Issuer 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 the Issuer's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support the Issuer'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 the Issuer's positions, capital, or profitability. The scenarios used within the Issuer 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 the Issuer are redefined as required by changes in market conditions and as business strategies evolve.

#### *Trading portfolios*

#### *Risk measurement and management*

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

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 the Issuer's market risk exposure, not for financial statement purposes.

The Issuer 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 the Issuer'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 the Issuer, as measured by ten-day 99 per cent. VaR. 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 benefit<sup>1</sup></i>	<i>Total</i>
<b>2017 (USD million)</b>						
Average	29	8	6	13	(29)	26
Minimum	19	4	2	8	<sup>2</sup>	16
Maximum	48	15	10	30	<sup>2</sup>	47
End of period	34	6	3	17	(33)	26
<b>2016 (USD million)</b>						
Average	32	17	6	27	(34)	49
Minimum	16	4	2	17	<sup>2</sup>	27
Maximum	46	30	15	42	<sup>2</sup>	85
End of period	37	16	2	27	(40)	43

<sup>1</sup> VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology.

Diversification benefit reflects the net difference between the sum of the 99<sup>th</sup> percentile loss.

<sup>2</sup> As 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 2017 decreased by 38 per cent. to USD 26 million, compared to 31 December 2016 (USD 43 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 the Issuer'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 0.3 million as of 31 December 2017 compared to USD 0.2 million as of 31 December 2016. 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 2017, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

- A fair value loss of USD 7 million (2016: loss of USD 2 million) for a +200bps move.
- A fair value loss of USD 19 million (2016: loss of USD 72 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.

*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 Credit Suisse group ("**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 the Credit Suisse Group AG 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 the Issuer's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of Credit Suisse AG ("**CS**") reflects the risk appetite, business activities, strategy, market conditions and overall operating environment. CS'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 CS. This approach enhances CS'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 CS 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. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

The funding profile is designed to enable CS 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 CS'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 modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS 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 the regulatory front, the BCBS issued by the Basel III international framework for liquidity risk measurement, standards and monitoring includes a liquidity coverage ratio ("**LCR**") and NSFR.

The LCR 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 NSFR 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.

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 the Issuer is managed as an integral part of the overall CS global liquidity risk management framework. The Issuer 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 the Issuer is aligned to those used globally for the CS 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 the Issuer holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under Capital Requirements Directive ("**CRD**") IV 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 of entry into force is not yet known.

In the context of liquidity management at the legal entity, the Issuer's Board of Directors is responsible for setting the liquidity risk appetite. Some of the key characteristics determining the Issuer'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 CS global liquidity risk methodologies.

The Issuer 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 the Issuer's liquidity risk management framework, are reviewed by Risk and Treasury and ultimately approved by the Issuer'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, daylight collateral requirements and communicated strategies.

Incremental to the Issuer's unsecured funding sources from CS, the Issuer 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</i>	<i>Due</i>	<i>Due</i>	<i>Due</i>	<i>Due</i>	<i>Due</i>	
<i>31 December</i>	<i>On</i>	<i>within 3</i>	<i>between 3</i>	<i>between</i>	<i>after 5</i>	<i>Total</i>
<i>2017</i>	<i>Demand</i>	<i>months</i>	<i>and 12</i>	<i>1 and 5</i>	<i>years</i>	
			<i>months</i>	<i>years</i>	<i>years</i>	
<b>Financial liabilities (USD million)</b>						
Deposits	188	-	-	-	-	<b>188</b>
Securities sold under repurchase agreements and securities lending transactions	1,512	874	4,603	-	204	<b>7,193</b>
Trading financial liabilities at fair value through profit or loss	149,505	-	-	-	-	<b>149,505</b>

<i>Group 31 December 2017</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 designated at fair value through profit or loss	1,040	11,706	3,185	5,997	971	<b><u>22,899</u></b>
Short term borrowings	-	5,909	31	-	-	<b><u>5,940</u></b>
Long term debt	-	3,269	1,775	10,775	1,104	<b><u>16,923</u></b>
Other liabilities	24,176	-	-	-	-	<b><u>24,176</u></b>
Liabilities held for sale	117	-	-	-	-	<b><u>117</u></b>
<b>Total</b>	<b><u>176,538</u></b>	<b><u>21,758</u></b>	<b><u>9,594</u></b>	<b><u>16,772</u></b>	<b><u>2,279</u></b>	<b><u>226,941</u></b>

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

<i>The Issuer 31 December 2017</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>
<b>Financial liabilities (USD million)</b>						
Deposits	188	-	-	-	-	<b><u>188</u></b>
Securities sold under repurchase agreements and securities lending transactions	1,512	874	4,603	-	204	<b><u>7,193</u></b>
Trading financial liabilities at fair value through profit or loss	149,506	-	-	-	-	<b><u>149,506</u></b>
Financial liabilities designated at fair value through profit or loss	1,040	11,706	3,185	5,997	971	<b><u>22,899</u></b>
Short term borrowings	-	5,909	31	-	-	<b><u>5,940</u></b>
Long term debt	-	3,269	1,756	10,657	1,104	<b><u>16,786</u></b>
Other liabilities	24,176	-	-	-	-	<b><u>24,176</u></b>
Liabilities held for sale	117	-	-	-	-	<b><u>117</u></b>
<b><u>Total</u></b>	<b><u>176,539</u></b>	<b><u>21,758</u></b>	<b><u>9,575</u></b>	<b><u>16,654</u></b>	<b><u>2,279</u></b>	<b><u>226,805</u></b>

<i>The Issuer 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>
<b>Financial liabilities (USD million)</b>						
Deposits	457	-	-	-	-	<b><u>457</u></b>
Securities sold under repurchase agreements and securities lending transactions	630	447	1,626	-	118	<b><u>2,821</u></b>
Trading financial liabilities at fair value through profit or loss	211,647	-	-	-	-	<b><u>211,647</u></b>
Financial liabilities designated at fair value through profit or loss	131	12,844	2,907	4,702	4,099	<b><u>24,683</u></b>

<i>The Issuer</i> <i>31 December</i> <i>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</i> <i>1 and 5</i> <i>years</i>	<i>Due</i> <i>after 5</i> <i>years</i>	<i>Total</i>
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>
<b>Total</b>	<b><u>244,446</u></b>	<b><u>20,269</u></b>	<b><u>5,083</u></b>	<b><u>30,942</u></b>	<b><u>10,552</u></b>	<b><u>311,292</u></b>

**(iii) Currency Risk**

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

The Issuer has approval to manage its own trading P&L 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 levelling process as set out in the Corporate Foreign Exchange Policy. Both these methodologies are discussed in more detail in risk factor 2(b)(i) (*Risks relating to the Issuer – Market Risk*) above.

**(iv) Credit Risk**

Credit risk in the Issuer is managed by the Issuer's Credit Risk Management ("**CSi CRM**") department, which is headed by the Issuer's Chief Credit Officer ("**CSi CCO**"), who in turn reports to the Issuer's 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 CS Group. All credit limits in the Issuer 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.

#### *Counterparty and transaction rating*

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.

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.

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. The Issuer has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ("**AIRB**") approach for the majority of credit exposures in the Issuer. 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 the Issuer 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:**

2017 (USD million)	Group			Issuer		
	Gross	Collateral	Net	Gross	Collateral	Net
<b>Maximum exposure to credit risk</b>						
Cash and due from banks	4,971	-	4,971	4,932	-	4,932
Interest bearing deposits with banks	4,187	-	4,187	4,186	-	4,186
Securities purchased under resale agreements and Securities borrowing transactions	17,052	3,139	13,913	17,052	3,139	13,913
<b>Trading financial assets at fair value through profit or loss</b>						
Debt securities	22,722	-	22,722	22,567	-	22,567
Derivative trading positions	144,364	120,430	23,934	144,364	120,430	23,934
Other	638	-	638	634	-	634
<b>Financial assets designated at fair value through profit or loss</b>						
Loans	1,320	596	724	1,612	596	1,016
Reverse repurchase agreements	8,488	-	8,488	8,489	-	8,489
Other	1,322	306	1,016	1,322	306	1,016
Other loans and receivables	3,331	95	3,236	3,331	95	3,236
Other assets	32,957	-	32,957	32,957	-	32,957
<b>Maximum exposure to credit risk-total assets</b>	<b><u>241,352</u></b>	<b><u>124,566</u></b>	<b><u>116,786</u></b>	<b><u>241,446</u></b>	<b><u>124,566</u></b>	<b><u>116,880</u></b>
<b>Off-balance sheet items</b>						
financial guarantees	1,077	-	1,077	1,077	-	1,077
loan commitments and other credit related commitments	7,677	3,135	4,542	7,677	3,135	4,542
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b><u>8,754</u></b>	<b><u>3,135</u></b>	<b><u>5,619</u></b>	<b><u>8,754</u></b>	<b><u>3,135</u></b>	<b><u>5,619</u></b>
<b>Maximum exposure to credit risk</b>	<b><u>250,106</u></b>	<b><u>127,701</u></b>	<b><u>122,405</u></b>	<b><u>250,200</u></b>	<b><u>127,701</u></b>	<b><u>122,499</u></b>



2016 (USD million)	Group			Issuer		
	Gross	Collateral	Net	Gross	Collateral	Net
<b>Maximum exposure to credit risk</b>						
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	-
<b>Trading financial assets at fair value through profit or loss</b>						
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
<b>Financial assets designated at fair value through profit or loss</b>						
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
<b>Maximum exposure to credit risk-total assets</b>	<b><u>322,200</u></b>	<b><u>218,090</u></b>	<b><u>104,110</u></b>	<b><u>322,236</u></b>	<b><u>218,090</u></b>	<b><u>104,146</u></b>
<b>Off-balance sheet items</b>						
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
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b><u>10,640</u></b>	<b><u>4,942</u></b>	<b><u>5,698</u></b>	<b><u>10,640</u></b>	<b><u>4,942</u></b>	<b><u>5,698</u></b>
<b>Maximum exposure to credit risk</b>	<b><u>332,840</u></b>	<b><u>223,032</u></b>	<b><u>109,808</u></b>	<b><u>332,876</u></b>	<b><u>223,032</u></b>	<b><u>109,844</u></b>

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.

CSi group typically enters into master netting arrangements ("**MNAs**") with over the counter ("**OTC**") derivative counterparties. The MNAs allow 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 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 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 CSi group holds against loans in the form of guarantees, cash and marketable securities. 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 2017*" of the 2017 CSi Annual Report (as defined in the CSi Registration Document).

Reverse repurchase agreements and securities borrowings are typically fully-collateralised instruments and in the event of default, the agreement provides 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. 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*" in "*Notes to the Financial Statements for the year ended 31 December 2017*" of the 2017 CSi Annual Report.

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. 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 2017*" of the 2017 CSi Annual Report.

For further information on collateral held as security that CSi group is permitted to sell or repledge refer to "*Note 39 – Assets Pledged or Assigned*" of the 2017 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*

The Issuer 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. The Issuer 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

	2017		2016	
	<i>USD million</i>	%	<i>USD million</i>	%
AAA	885	2	938	2
AA+ to AA-	8,406	22	12,375	23
A+ to A-	10,741	29	20,301	36
BBB+ to BBB-	10,657	28	13,790	25
BB+ to BB-	3,194	9	3,722	7
B+ and below	3,682	10	3,802	7
	<b>37,565</b>	<b>100</b>	<b>54,928</b>	<b>100</b>

#### Unsecured exposure by rating (including provisions)

	2017		2016	
	<i>USD million</i>	%	<i>USD million</i>	%
AAA	455	3	476	2
AA+ to AA-	3,471	24	5,407	23
A+ to A-	3,540	25	11,056	47
BBB+ to BBB-	3,084	21	3,777	16
BB+ to BB-	1,435	10	752	3
B+ and below	2,452	17	2,170	9

**Unsecured exposure by rating (including provisions)**

14,437	100	23,638	100
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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 the Issuer.

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 ("WWR")*

*Wrong-way exposures*

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

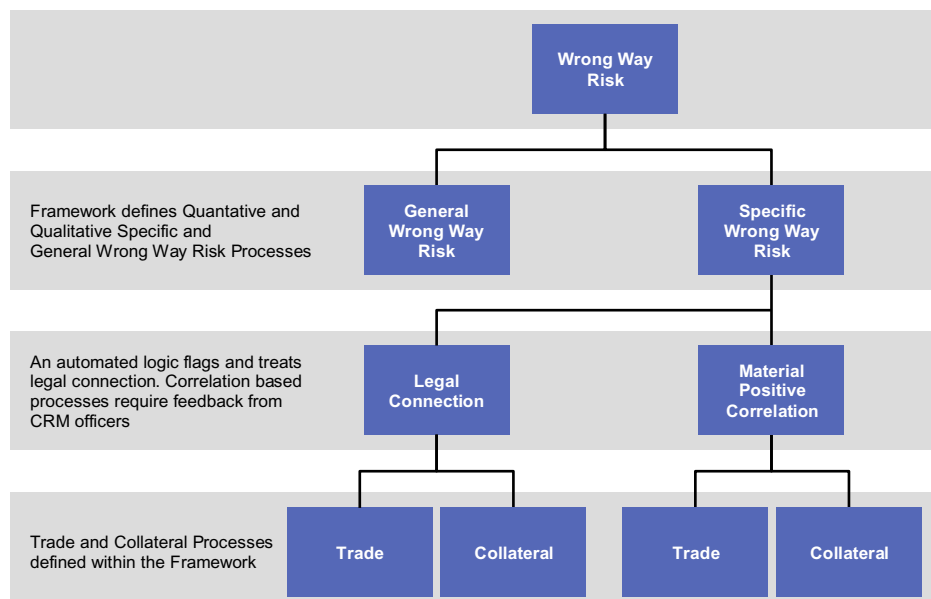
*Credit approval and reviews*

A primary responsibility of Credit Risk Management ("**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 WWR types as per the distinction in the table below.



With respect to general WWR, 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.

#### *WWR monitoring*

Regular reporting of WWR at both the individual trade and portfolio level allows WWR to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing WWR due to legal connection are automatically flagged and included in regular reporting. General WWR and transactions containing specific WWR 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, CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, 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 the Issuer.

For the Issuer, 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 Issuer's Risk Management Committee (the "**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 behaviour, 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 ("**ISDA**"), Association for Financial Markets in Europe ("**AFME**") and UK Finance 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 the Issuer's 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 CSi group may operate. Such limitations can have a negative effect on 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 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 on-going 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 the Issuer's business, including the systems and processes that support its 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.

##### *Operational risk management approach*

##### *Enterprise Risk & Control Framework*

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. The Issuer 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. The Issuer started to introduce its 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, the Issuer has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. In 2016 the Enterprise Risk and Control Framework ("**ERCF**") was established which integrates the Operational Risk Framework with Compliance related components to provide coverage for operational risks, including compliance and conduct risk.

The ERCF 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 framework are described below:

- **Governance and policies:** The 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. The Issuer utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- **Risk appetite:** Risk Appetite is the amount and type of risk the Issuer is willing to accept in pursuit of the Issuer's strategic objectives. It is set by management for a set of core risk metrics and periodically recalibrated to align with the strategy. Senior 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.
- **Risk register:** The register comprises a catalogue of inherent operational risks arising as a consequence of the Issuer's business activities and is the most granular classification of operational risks used by the Issuer. It provides a standardised terminology of inherent risks across the Issuer covering inherent operational risks on a front-to-back basis, i.e., risks inherent in business divisions and Corporate Functions. It also provides the basis to identify, assess, mitigate and monitor operational risk throughout the CS group, as well as providing the capability to aggregate and report residual operational risk exposure. As such, it also constitutes the basis for conducting Risk and Control Self-Assessments and identification of Top ERCF Risks.
- **Internal controls:** The Issuer utilises a comprehensive set of internal controls that are designed to ensure that the Issuer's activities follow agreed policies and that processes operate as intended. ERCF defines the guidance to ensure that controls are executed, assessed and evidenced on a consistent and comprehensive basis, with a focus on the Issuer's key risks and controls. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other framework components, such as in the Risk and Control Self-Assessment 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.
- **Metrics:** Metrics are risk and control indicators that provide information on operational risk exposures and the effectiveness of controls, respectively.

From their monitoring, trends in indicator performance can be used to assess whether risks or controls are improving or deteriorating. Metrics form a part of measuring ERCF Risk Appetite and assessing the Top ERCF Risks, as well as being used by business divisions and Corporate Functions to inform the Risk and Control Self-Assessment process.

- Incident data: The Issuer uses the output of investigations into internal and relevant external incidents to inform its risk measurement and management processes. This includes both incidents that result in economic losses or those which provide information on potential control gaps, even if no losses occurred. Internal and external incidents are subject to separate review and assessment processes that reflect differences in the amounts of available information and degree of applicability to the Issuer.
- Risk and control self-assessments: The Risk and Control Self-Assessment ("**RCSA**") process is a comprehensive, bottom-up assessment of the key operational risks in each business division and Corporate Function. It comprises a self-assessment for all applicable inherent risks, 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 RCSA process utilises other components of the ERCF, such as metrics and incident data, and generates outputs that are used to manage and monitor the Issuer's residual risks. The self-assessments are subject to review and challenge by the independent risk oversight functions, including Enterprise & Operational Risk Management, along with quality assurance to ensure that they have been conducted appropriately. At a minimum, business divisions and Corporate Functions must conduct an RCSA within each calendar year though more frequent updates may be triggered by material changes to the business environment or risk profile.
- Reverse stress testing: Reverse stress testing is a complementary tool that introduces a more forward-looking element into the RCSA process. It assumes that a business has suffered an adverse outcome, such as a large operational risk loss, and requires consideration of the events that could have led to the result. As such, it allows for the consideration of risks beyond normal business expectations and it challenges common assumptions about the risk profile, the emergence of new risks or interactions between existing risks, as well as the performance of expected control and mitigation strategies.
- 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.
- Issues and Actions management: The Issues and Actions Management component within ERCF provides a governance structure and process for how the Issuer responds to operational risk incidents and breaches of risk appetite. The purpose of Issues and Actions Management is to ensure that operational risk incidents and risk appetite breaches of various types and severity are reviewed by appropriate levels of governance and to provide guidance on the range of possible management responses.
- 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. In addition to managing and mitigating operational risks under the operational



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

- **Change Assessments:** An independent assessment is performed to understand the impact from major change programs on the operational risk profile. This is designed to ensure that at a minimum the risks from those change initiatives deemed critical for the Issuer's success are identified, assessed and managed throughout the life of each program using the relevant components of the ERCF.

#### *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 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 Enterprise & Operational Risk Management function is responsible for the overall design of the framework, operational risk capital modelling and 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 the Issuer's operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the Issuer's Board and Board Risk with standing updates to the Issuer's Risk Management Committee and the Issuer's Operational Risk & Compliance Committee which have senior staff representatives from all the relevant functions.

#### **(viii) Conduct Risk**

Conduct risk is the risk that poor conduct by CS group, the 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 the Issuer operates 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.

The Issuer 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 its reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours. In addition, the Conduct and Ethics Standards establish group-wide standards and further embed clear expectations of Conduct and Ethics in Credit Suisse's employees. They ensure that the right things are done in the right way.

The Code of Conduct and the set of Conduct and Ethics Standards are linked to the employee performance assessment and compensation processes.

#### **(ix) Technology Risk**

Technology risk deserves particular attention given the complex technological landscape that covers the Issuer's business model. Ensuring that confidentiality,

integrity and availability of information assets are protected is critical to its operations.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in the Issuer's IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. The Issuer seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. The Issuer requires its critical IT systems to be identified, secure, resilient and available and support its ongoing operations, decision making, communications and reporting. The Issuer's systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of its customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject the Issuer to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Cyber risk, which is part of technology risk, is the risk that the Issuer will be compromised as a result of cyber attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject the Issuer to litigation or cause the Issuer to suffer a financial loss, a disruption of its businesses, liability to its clients, regulatory intervention or reputational damage. The Issuer could also be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. Technology risks are managed through its technology risk management program, business continuity management plan and business contingency and resiliency plans and feature in its overall operational risk assessment.

(x) **Reputational Risk**

The Credit Suisse Code of Conduct states that "Our most valuable asset is our reputation". CS reputation is driven by the perception of clients, shareholders, the media and the public. The CS 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 Issuer's Board has formally delegated reputational risk issues to the Issuer'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 Issuer'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 Issuer'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 the Issuer 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 CSi 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 the Issuer is failing or the relevant UK resolution authority considers that it is likely to fail**

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

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 incurred by EU financial institutions.

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 the Issuer) 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 relevant 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 Note) 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 relevant UK resolution authority to:

- modify contractual arrangements (such as the terms and conditions of the Notes 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 Notes); 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 Notes issued by the Issuer 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 Notes, and could lead to holders of such Notes 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 relevant 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 relevant UK resolution authority, even where such powers have resulted in the write down or conversion of such securities to equity. Further, notwithstanding that the Issuer is an unlimited company and, as a result, upon its liquidation its creditors have a right of recourse against the Issuer's shareholders, holders of securities issued by the Issuer may not be able to benefit from such recourse if the Issuer 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 the Issuer may ultimately become subject).

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

In addition to the other powers described above, the relevant 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 Note issued by the Issuer, and/or (ii) the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, such Notes into shares or other securities or other obligations of the Issuer or another person, and/or (iii) the amendment of the maturity of such Notes or the amount of interest or any other amount payable on such Notes 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 Notes, in each case, to give effect to the exercise by the relevant 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 Notes) 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 the Issuer and any Notes issued by it or any suggestion of any such exercise could materially adversely affect the rights of the holders of such Notes, the value of their investment in such Notes and/or the ability of the Issuer to satisfy its obligations under such Notes, and could lead to the holders of such Notes losing some or all of their investment in such Notes. 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 Notes in the resolution, and there can be no assurance that holders of such Notes would recover such compensation promptly.

*Holders of the Notes 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 relevant 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 relevant UK resolution authority seeks to exercise its powers in relation to UK banking group companies.

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

*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 may have only very limited rights to challenge any decision of the relevant UK resolution authority to exercise such power or to have that decision judicially reviewed. Further, the relevant 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 Notes issued by the Issuer 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 – Other Significant Risks – UK EU Exit*" on page 17 of 2018 CSi Interim Report (as defined in the CSi Registration Document)). 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 the Issuer's businesses. The Issuer 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 the Issuer's results in the UK or other markets it serves.

3. **Risks relating to the Notes generally**

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

Purchasers of Notes 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 Notes. The Notes will be "capital at risk" investments unless the Final Redemption Amount payable at maturity or a scheduled early redemption of the relevant Notes is at least equal to the purchase price paid by investors for such Notes.

Even where the Final Redemption Amount is at least equal to the purchase price paid by investors for such Notes, the Notes are still "capital at risk" investments (i) if the terms of the Notes 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 or (ii) if the terms of the Notes provide that the Issuer's call option is applicable, such call option is exercised and the Optional Redemption Amount is less than such purchase price.

Where Notes 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 Notes is less than the purchase price paid by investors for such Notes, investors may lose some or all of their investment.

Even if the particular Notes are not "capital at risk" and do provide for scheduled repayment in full of the issue price or the purchase price of the Notes, investors are still exposed to the credit risk of the Issuer and will lose up to the entire value of their investment if the Issuer either fails or is otherwise unable to meet its payment obligations. The Notes 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 Notes are not "capital at risk" and do provide for scheduled repayment in full of the issue price or the purchase price of the Notes, an investor could still lose some or all of his or her investment if:

- the investor sells the Notes prior to maturity in the secondary market but for an amount that is less than the issue price or the purchase price of the Notes;
- the Notes are redeemed early under their terms and conditions at the discretion of the Issuer and the Early Redemption Amount is less than the initial issue price or purchase price (see risk factor 3(h) (*In certain circumstances, the Issuer may redeem the Notes (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*) below); or
- the Notes are subject to certain adjustments made by the Issuer in accordance with the terms and conditions of the Notes that may result in any amount payable (or deliverable) under the Notes (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 Notes may not develop and if one does develop, it may not provide the holders of the Notes with liquidity or may not continue for the life of the Notes. A decrease in the liquidity of the Notes may cause, in turn, an increase in the volatility associated with the price of such Notes. Illiquidity may have a severe adverse effect on the market value of the Notes.

The Issuer may, but is not obliged to, purchase the Notes 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 Notes may be limited. The only way in which a Noteholder can realise value from a Note prior to its maturity or expiry 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 Note 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 Noteholder sells its Notes in the market may reflect a commission or a dealer discount, which would further reduce the proceeds such Noteholder would receive for its Notes. If a Noteholder sells its Notes prior to the Maturity Date or the Settlement Date, as the case may be, it may suffer a substantial loss.

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

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

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

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

The Issue Price in respect of any Notes specified in the relevant Pricing Supplement may be more than the market value of such Notes 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 Notes in secondary market transactions. In particular, the Issue Price in respect of any Notes and the terms of such Notes may take into account, where permitted by law, fees, commissions or other amounts relating to the issue, distribution and sale of such Notes, or the provision of introductory services. Such fees, commissions or other amounts may be paid directly to the relevant distributor or, if the Notes 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 Notes and the terms of such Notes may also take into account (i) the expenses incurred by the Issuer in creating, documenting and marketing the Notes (including its internal funding costs) and (ii) amounts relating to the hedging of the Issuer's obligations under such Notes.

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

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

- (i) the creditworthiness of the Issuer (whether actual or perceived), including actual or anticipated downgrades in its credit rating;
- (ii) the remaining time to maturity of the Notes;
- (iii) interest rates and yield rates in the relevant market(s);
- (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 Notes are linked (if any);
- (vi) if the Notes are linked to a Share, the dividend rate on such Share or if the Notes are linked to an Index, the dividend rate on the components underlying such Index;
- (vii) if the Notes are linked to a Share, the occurrence of certain corporate events in relation to such Share;
- (viii) 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
- (ix) the exchange rate(s) between the currency in which the Notes are denominated and the currency in which the Underlying Asset(s) is denominated and the volatility of such exchange rate(s).

Some or all of the above factors will influence the value of and return on the Notes 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 Notes 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 Notes may be highly volatile**

Where the Notes reference any Underlying Asset(s), the Noteholders 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 Notes.

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

The total size of Notes being issued on the issue date may be greater than the amount subscribed or purchased by investors as the dealer may retain some of the Notes as part of its issuing, market-making and/or trading arrangements or for the purposes of meeting future investor demand. The issue size of the Notes should not be regarded as indicative of the depth or liquidity of the market, or the demand, for the Notes.

(h) **In certain circumstances, the Issuer may redeem the Notes (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**

The Notes may be redeemed prior to their scheduled maturity in certain circumstances (other than due to a mandatory automatic early redemption event) - for example, (i) if the Issuer determines that its obligations under the Notes or its hedging arrangements have become unlawful or illegal, (ii) following an event of default, (iii) where the Notes 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 Notes 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 the Issuer" for more information.

The Early Redemption Amount payable on unscheduled redemption of the Notes depends on the elections specified in the relevant Pricing Supplement.

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

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

In making any such adjustment, the Issuer 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 the Issuer" for more information.

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

(j) **Tax risks**

Potential investors in the Notes should take note of the information set out in the section headed "Taxation". Potential investors in the Notes should conduct such independent investigation and analysis regarding the tax treatment of the Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes 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 Notes. The level and basis of taxation on the Notes and on the Noteholders and any reliefs from such taxation depend on the Noteholder's individual circumstances and could change at any time. The tax and regulatory characterisation of the Notes may

change over the life of the Notes. This could have adverse consequences for Noteholders. Potential Noteholders 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 Notes.

(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 Notes (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 Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (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.

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 Notes are advised to seek their own professional advice in relation to the FTT.

(l) **Issue of further Notes**

If additional securities or options with the same terms and conditions or linked to the same Underlying Asset(s) as the Notes are subsequently issued, either by the Issuer 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 Notes to decline.

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

The Issuer may determine to cancel the issue of Notes 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 the Issuer and/or the other relevant events that in the determination of the Issuer may be prejudicial to the issue of the Notes. In such case, where an investor has already paid or delivered subscription monies for the relevant Notes, 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 Notes.

(n) **The terms and conditions of the Notes may be modified without the consent of Noteholders**

The terms and conditions of the Notes may be modified without the consent of Noteholders for the purposes of (i) curing any ambiguity or correcting or supplementing

any provision if the Issuer determines it to be necessary or desirable, provided that such modification is not prejudicial to the interests of Noteholders, or (ii) correcting a manifest error

(o) **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 Notes.

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 the Issuer and the Notes (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 Notes 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 Notes. 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 Notes.

(p) **There are particular risks in relation to Notes 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 Notes 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 Notes 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 Notes denominated in or referencing CNY.

**4. Risks associated with certain types of Notes and certain product features**

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

Any call option of the Issuer in respect of the Notes may negatively impact their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 Notes being redeemed. The investor will not be able to participate in the performance of the Underlying Asset(s) following the effective date of the Issuer 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 Notes provide that the Redemption Amount or Settlement Amount or other amount payable (as applicable) in respect of such Notes is based upon the performance of the Underlying Asset(s) and is multiplied by a "participation" factor which is over 100 per cent., the Noteholder 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 Notes 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 Notes provide that the Redemption Amount or Settlement Amount or other amount payable (as applicable) in respect of such Notes 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 Noteholder will not participate fully in the performance (whether positive or negative) of the Underlying Asset(s). In such case, the return on the Notes will be disproportionately lower than any positive performance of the Underlying Asset(s), and may be significantly less than if the Noteholder had purchased the Underlying Asset(s) directly.

**(d) The effect of averaging**

If so provided in the applicable terms and conditions of the Notes, the amount payable (or deliverable) on the Notes (whether at maturity or otherwise) will be based on the 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 Notes. 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 Notes 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 Notes are linked to a basket of Underlying Assets and the terms of the Notes provide that the Final Redemption Amount or other amount payable (as applicable) in respect of such Notes depends on the performance of the worst performing Underlying Asset in the basket, Noteholders 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, Noteholders could lose some or all of their initial investment.

(f) **Cap**

Where the terms of the Notes 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 Notes. Accordingly, the value of or return on the Notes may be significantly less than if Noteholders had purchased the Underlying Asset(s) (or invested in instruments which pay an uncapped floating rate of interest) directly.

(g) **Interest rate risks**

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

Where interest on Notes 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 Notes. As the interest income on Notes which bear interest at a floating rate will vary, it is not possible to determine a fixed yield on such Notes at the time of investment and to compare the return on investment of such Notes with investments bearing interest at a fixed rate. If the terms and conditions of the Notes provide for frequent interest payment dates, a Noteholder 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 Notes 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 Noteholders, 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 Noteholders. 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 Noteholder 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 Noteholder 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 depositaries, among others. The registration, record-keeping and transfer of Notes may be carried out manually, which may cause delays in the recording of ownership. Where applicable, the Issuer 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 Notes, 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, Noteholders may be subject to operational risks in the event that Noteholders do not have in place appropriate internal systems and controls to monitor the various risks, funding and other requirements to which Noteholders 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 the Issuer incurring material costs for performing its obligations under the Notes due to a change in applicable law or regulation, the inability or a materially increased cost of the Issuer and/or its affiliates to maintain or enter into hedging arrangements in respect of such Underlying Asset and the Notes. Subject to the terms and conditions for the Notes which determines the types of Additional Disruption Events which are applicable, upon determining that an Additional Disruption Event has occurred, the Issuer has discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Notes (without the consent of the Noteholders), or (ii) cause an early redemption of the Notes prior to their scheduled maturity by payment of the 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 Notes. Following a determination by the Issuer in accordance with (ii) no other amounts shall be payable in respect of the Notes on account of interest or otherwise.

In making any such adjustments or determinations, the Issuer 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 the Issuer" for more information.

**5. Risks associated with Notes 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 Notes 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 Notes. Such fluctuations may affect the value of and return on the Notes. There can be no assurance as to the future performance or movement of any Underlying Asset. Accordingly, before investing in the Notes, 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 Notes should be aware that the Notes are unsecured obligations of the Issuer and that an Underlying Asset will not be held by the Issuer for the benefit of the Noteholders of such Notes and, as such, Noteholders 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 Notes.

(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 Notes are denominated, or (ii) the Notes 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 Notes 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 (the "**Code**") and regulations thereunder, a payment on a financial instrument that references a U.S. equity or an index that includes a U.S. equity may be treated as a "dividend equivalent" payment. Such payments generally will be subject to U.S. withholding tax at a rate of 30 per cent. If withholding applies, the Issuer will not pay any additional amounts with respect to amounts withheld. The relevant Pricing Supplement may indicate if the Issuer has determined that a Note is a transactions subject to withholding under section 871(m). Although the Issuer's determination generally is binding on holders, it is not binding on the United States Internal Revenue Service (the "**IRS**"). The IRS may successfully argue that a Note is subject to withholding under section 871(m), notwithstanding the Issuer'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 Notes 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 Notes, such corrected prices or levels may be taken into account by the Issuer in any determination in relation to the Notes and/or the Issuer may make adjustments to the terms of the Notes, subject to the provisions of the relevant terms and conditions for the Notes. 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 Notes.

(f) **Non-Underlying Asset Days or disruption events may adversely affect the value of and return on the Notes**

If a scheduled date on which the price or level of an Underlying Asset is observed or determined falls on a day which is not a day which is subject to adjustment in accordance with the relevant Asset Terms, then the relevant date may be postponed.

Any such postponement may adversely affect the value of and return on the Notes. In the event that one or more scheduled dates on which the price or level of an Underlying Asset is observed or determined are postponed, the scheduled Maturity Date, Settlement Date or other relevant payment date may also be postponed.

(g) **Risks associated with Notes linked to a basket of Underlying Assets**

The following are particular risks associated with Notes 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 Notes:*

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 Notes.
- (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 Notes grant the Issuer 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 Notes.

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

In order to receive the relevant Share Amount in respect of a Note, a Noteholder must deliver to a Paying Agent a duly completed Delivery Notice on or before the Presentation Date, otherwise the Issuer shall not be obliged to make delivery of the Share Amount. The Noteholder is also required to pay all taxes and expenses in connection with the delivery of the Share Amount (if any). Further, Noteholders may be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of the relevant Underlying Asset.

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

Interbank Offered Rates (including 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. Following any such reforms, 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 Notes linked to such a benchmark.

Key regulatory proposals and initiatives in this area include (amongst others) IOSCO's Principles for Financial Market Benchmarks (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 (each as discussed below).

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. On 16 December 2016, IOSCO published a report setting out guidance to improve the consistency and quality of reporting on compliance with IOSCO Benchmark Principles.

The Benchmark Regulation entered into force in June 2016 and became fully applicable in the EU on 1 January 2018 (save that certain provisions, including those related to "critical benchmarks", took effect on 30 June 2016), subject to certain transitional provisions. The Benchmark Regulation applies to the contribution of input data to a "benchmark", the provision or administration of a "benchmark" and the use of a "benchmark" in the EU. Among other things, it (a) requires EU benchmark administrators to be authorised or registered as such and to comply with extensive requirements relating to the administration of "benchmarks" and (b) prohibits certain uses by EU supervised entities of "benchmarks" provided by EU administrators which are not authorised or registered in accordance with the Benchmark Regulation (or, if located outside of the EU, deemed equivalent or recognised or endorsed). The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, applies 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 Benchmark Regulation could have a material impact on Notes linked to a "benchmark". For example:

- a rate or index which is a "benchmark" may not be used in certain ways by an EU supervised entity if (subject to applicable transitional provisions) its administrator does not obtain authorisation or registration (or, if a non-EU entity, does not satisfy the "equivalence" conditions and is not "recognised" pending an equivalence decision). Depending on the terms of the Notes and the applicable "benchmark", if the benchmark administrator does not obtain or maintain (as applicable) such authorisation or registration (or, if a non-EU entity, "equivalence" is not available and it is not recognised), then applicable fallbacks may apply in respect of the Notes including that they may be redeemed prior to maturity; 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 Notes, including potentially determination by the Issuer or the Calculation Agent 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. The Bank of England's Working Group on Sterling Risk-Free Reference Rates has been considering risk free rates for use as alternatives to LIBOR and has chosen a reformed Sterling Overnight Index Average ("**SONIA**"). The reforms to SONIA became effective on 23 April 2018 and it is expected that there will be a transition to SONIA over the next four years across sterling bond, loan and derivatives related markets, so that SONIA is established as the primary sterling interest rate benchmark by end 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 Notes linked to any such benchmarks. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

(j) **Risks associated with Floating Rate Notes**

Floating Rate Notes differ from Fixed Rate Notes in that the interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, it is not possible to determine a definite yield for Floating Rate Notes at the time of investment, so that the potential return on investment cannot be compared to the return of investments paying fixed interest. If the terms and conditions of the Notes provide for frequent interest payment dates, investors will be exposed to reinvestment risk if market interest rates decline, as they may only be able to reinvest the interest income paid at the lower interest rates then prevailing. See also risk factors 5(i) (*Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks*) and 5(k) (*Risks associated with reference rates by reference to which any amount payable under the Notes is determined*)).

(k) **Risks associated with reference rates by reference to which any amount payable under the Notes is determined**

The amount(s) payable under the Notes may be determined by reference to one or more reference rates, such as the Floating Rate Option used to determine the Rate of Interest in respect of Floating Rate Notes, the Rate of Premium for Notes in respect of which a premium is payable, or any other index, benchmark or price source by reference to which any amount payable under the Notes is determined. A reference rate (i) may be materially modified, (ii) may be permanently or indefinitely discontinued or may cease to exist, (iii) may not be used in certain ways by an EU supervised entity if its administrator does not obtain authorisation or registration (subject to applicable transitional provisions), (iv) may be subject to market-wide development and replaced with another rate, or (v) may be subject to any other relevant event that constitutes a "Benchmark Trigger Event" in the ISDA Benchmark Supplement (see risk factor 5(i) (*Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks*)).

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

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

(m) **There may be regulatory consequences to Noteholders holding Notes linked to an Underlying Asset**

There may be regulatory and other consequences associated with the holding by certain Noteholders of Notes 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 Notes or consult advisers as it considers appropriate.

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

### (a) Risks associated with Shares

- (i) *Factors affecting the performance of Shares may adversely affect the value of Notes*

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 the issuer of a Share may adversely affect the Notes*

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

- (iii) *Determinations made by the Issuer in respect of Potential Adjustment Events and Extraordinary Events may have an adverse effect on the value of the Notes*

The adjustment events referred to in risk factor 3(h) (*In certain circumstances, the Issuer may redeem the Notes (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*) 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 the Issuer of the Shares, (3) a merger event entailing the consolidation of Shares with those of another entity, (4) a nationalisation of the Issuer 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, the Issuer has discretion to make certain determinations to account for such event including to (aa) make adjustments to the terms of the Notes (without the consent of Noteholders), and/or (bb) (in the case of an Extraordinary Event) (x) cause an early redemption of the Notes 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 Notes. Following a determination by the Issuer above, no other amounts shall be payable in respect of the Notes on account of interest or otherwise.

In making any such adjustments or determinations, the Issuer 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 the Issuer" for more information.

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

Unless the terms and conditions of the Notes specify otherwise, holders of such Notes 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 Notes will not reflect the return a Noteholder would have realised had it actually owned such Shares and received the dividends in respect of them.

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

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

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 Notes 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 Notes 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 Notes linked to such Index.

(iii) *Loss of return of dividends in respect of most Notes 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 Notes linked to such Index would lose the benefit of any dividends paid by the components of the Index and such Notes 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 Notes*

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 Notes. 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 Notes and will have no obligation to any investor in such Notes. The sponsor of an Index may take any actions in respect of such Index without regard to the interests of the investor in the Notes, and any of these actions could have an adverse effect on the value of and return on the Notes.

(v) *Occurrence of Index Adjustment Events*

Upon determining that an Index Adjustment Event has occurred in relation to an Index, pursuant to the terms and conditions of the Notes, the Issuer has the discretion to (A) make certain determinations and adjustments to account for such event including to make adjustments to the terms of the Notes (without the consent of Noteholders), and/or (B) cause an early redemption of the Notes prior to their scheduled maturity by payment of the 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 Notes. Following a determination by the Issuer in accordance with (B), no other amounts shall be payable in respect of the Notes on account of interest or otherwise.

In making any such adjustments or determinations, the Issuer 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 the Issuer" for more information. See risk factor 5(i) (*Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks*).

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

(a) **Calculations and determinations under the Notes**

In making calculations and determinations with regard to the Notes, there may be a difference of interest between the Noteholders and the Issuer. Save where otherwise provided in the terms and conditions, the Issuer 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, the Issuer 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 the Issuer may have a negative impact on the value of and return on the Notes.

Each of the Issuer, 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 the Issuer, 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 Noteholder.

(b) **Hedging and dealing activities in relation to the Notes and Underlying Asset(s)**

In the ordinary course of its business the Issuer 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 Notes or related derivatives. In connection with such hedging or market-making activities or with respect to

proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer 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 Notes and which could be adverse to the interest of the relevant Noteholders.

For example, the Issuer (itself or through an affiliate) may hedge the Issuer's obligations under the Notes 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). The Issuer (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 date or the settlement date (as applicable) for the Notes. The Issuer (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 Notes. It is possible that the Issuer (or affiliate) could receive substantial returns with respect to such hedging activities while the value of and return on the Notes may decline.

Moreover, the Issuer (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 the Issuer (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 Notes. The Issuer (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, the Issuer (or affiliate) could adversely affect the value of and return on the Notes.

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

The Issuer 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 the Issuer or its affiliates will be obliged (and may be subject to legal prohibition) to disclose any such information to an investor in the Notes.



## 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 the Issuer dated 4 September 2018 (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/assets/investment-banking/docs/financial-regulatory/international/csi-registration.pdf>.

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 the Issuer.

**OVERVIEW OF THE POTENTIAL FOR DISCRETIONARY DETERMINATIONS BY THE ISSUER**

The section in the Listing Supplement entitled "OVERVIEW OF THE POTENTIAL FOR DISCRETIONARY DETERMINATIONS BY CSI" shall be updated by the information below in its entirety.

<p><b>What are the types of events that could give rise to a discretionary determination by the Issuer?</b></p>	<p>Broadly, there are three types of events that could give rise to a discretionary determination by the Issuer:</p> <ul style="list-style-type: none"> <li>(a) if the Issuer's obligations under the Notes or its related hedging arrangements become or will become illegal;</li> <li>(b) external events which affect the Underlying Asset(s) (if any); and</li> <li>(c) (depending on the terms of the particular Notes) external events which affect the Issuer's hedging arrangements.</li> </ul>						
<p><b>What are the types of external events which affect the Underlying Asset(s)?</b></p>	<p>If the Notes are linked to one or more Underlying Assets, there are many different external events that may affect such Underlying Asset(s), and these will vary depending on the type of Underlying Asset(s), as summarised in the table below:</p> <table border="1" data-bbox="523 891 1393 1883"> <thead> <tr> <th data-bbox="523 891 831 981">Type(s) of Underlying Asset</th> <th data-bbox="839 891 1393 981">External events which affect such Underlying Asset(s)</th> </tr> </thead> <tbody> <tr> <td data-bbox="523 992 831 1429"><i>Equity</i></td> <td data-bbox="839 992 1393 1429"> <p><b>Potential Adjustment Events:</b> broadly, corporate actions relating to the share issuer which have a dilutive or concentrative effect on the theoretical value of the share - for example, a stock split or a distribution payment to holders of the shares.</p> <p><b>Extraordinary Events:</b> events which materially impact on the business of the share issuer, such as a merger, a takeover or tender offer, the nationalisation of the shares or assets of the share issuer, a delisting of the relevant shares on an exchange or the share issuer becomes insolvent.</p> </td> </tr> <tr> <td data-bbox="523 1440 831 1883"><i>Equity Index</i></td> <td data-bbox="839 1440 1393 1883"> <p><b>Successor Index:</b> the index is replaced by another index which is calculated using the same (or substantially similar) formula.</p> <p><b>Index Adjustment Events:</b> events which materially impact on the calculation of the index - for example, the relevant sponsor cancels the index or fails to calculate the level of the index or materially changes the formula for calculating the index, or if the index may not be used in certain ways by the Issuer if its administrator does not obtain authorisation or registration (subject to applicable transitional provisions).</p> </td> </tr> </tbody> </table>	Type(s) of Underlying Asset	External events which affect such Underlying Asset(s)	<i>Equity</i>	<p><b>Potential Adjustment Events:</b> broadly, corporate actions relating to the share issuer which have a dilutive or concentrative effect on the theoretical value of the share - for example, a stock split or a distribution payment to holders of the shares.</p> <p><b>Extraordinary Events:</b> events which materially impact on the business of the share issuer, such as a merger, a takeover or tender offer, the nationalisation of the shares or assets of the share issuer, a delisting of the relevant shares on an exchange or the share issuer becomes insolvent.</p>	<i>Equity Index</i>	<p><b>Successor Index:</b> the index is replaced by another index which is calculated using the same (or substantially similar) formula.</p> <p><b>Index Adjustment Events:</b> events which materially impact on the calculation of the index - for example, the relevant sponsor cancels the index or fails to calculate the level of the index or materially changes the formula for calculating the index, or if the index may not be used in certain ways by the Issuer if its administrator does not obtain authorisation or registration (subject to applicable transitional provisions).</p>
Type(s) of Underlying Asset	External events which affect such Underlying Asset(s)						
<i>Equity</i>	<p><b>Potential Adjustment Events:</b> broadly, corporate actions relating to the share issuer which have a dilutive or concentrative effect on the theoretical value of the share - for example, a stock split or a distribution payment to holders of the shares.</p> <p><b>Extraordinary Events:</b> events which materially impact on the business of the share issuer, such as a merger, a takeover or tender offer, the nationalisation of the shares or assets of the share issuer, a delisting of the relevant shares on an exchange or the share issuer becomes insolvent.</p>						
<i>Equity Index</i>	<p><b>Successor Index:</b> the index is replaced by another index which is calculated using the same (or substantially similar) formula.</p> <p><b>Index Adjustment Events:</b> events which materially impact on the calculation of the index - for example, the relevant sponsor cancels the index or fails to calculate the level of the index or materially changes the formula for calculating the index, or if the index may not be used in certain ways by the Issuer if its administrator does not obtain authorisation or registration (subject to applicable transitional provisions).</p>						
<p><b>What are the types of external events which affect the Issuer's hedging arrangements?</b></p>	<p>There are many different external events that may affect the Issuer's hedging arrangements, and these will vary depending on (a) the type of Underlying Asset or (b) the type of Notes, as summarised in the table below:</p>						

	<b>Type(s) of Underlying Asset / Type of Note</b>	<b>External events which affect the Issuer's hedging arrangements</b>
	<i>Equity, Equity Index</i>	<p><b>Change in law:</b> as a result of a change in any applicable law, it has become unlawful or illegal to conduct its hedging arrangements or it will incur a materially increased cost in performing its obligations under the Notes.</p> <p><b>Hedging Disruption:</b> an event which impacts the ability of the Issuer and/or its affiliates to hedge the risk of the Issuer entering into and performing its obligations under the Notes – for example, if the Issuer is unable to enter into a hedge or to realise the proceeds of a hedge.</p> <p><b>Increased Cost of Hedging:</b> the Issuer and/or its affiliates would incur a materially increased cost to hedge the risk of the Issuer entering into and performing its obligations under the Notes (except where the increased cost is due to the deterioration of the creditworthiness of the Issuer and/or its affiliates).</p> <p><b>Foreign Ownership Event:</b> as a result of restrictions on ownership of shares by foreign persons in the relevant jurisdiction, the Issuer and/or its affiliates are unable to conduct its hedging arrangements.</p> <p><b>FX Disruption:</b> an event which impacts on the ability of the Issuer and/or its affiliates to transfer or convert any relevant amounts in relation to its hedging arrangements.</p> <p><b>Jurisdictional Event:</b> an event where, as a result of the risks (which may be political, legal or otherwise) associated with certain emerging countries, has the effect of reducing the value of the proceeds of the Issuer's hedging arrangements.</p>
	<i>Equity</i>	<p><b>Loss of Stock Borrow:</b> the Issuer and/or its affiliates are not able to borrow shares for the purposes of its hedging arrangements.</p>

		<p><b>Increased Cost of Stock Borrow:</b> the Issuer and/or its affiliates will incur increased costs to borrow shares for the purposes of its hedging arrangements.</p>	
	<p><i>Equity</i></p>	<p><b>Insolvency Filing:</b> an event which impacts on the transferability of the shares as a result of insolvency or similar proceedings affecting the share issuer.</p>	
<p><b>Why is it necessary for the Issuer to make discretionary determination following the occurrence of such events?</b></p>	<p>The Issuer may be unable to continue to perform its obligations under the Notes or its related hedging arrangements if they become or will become unlawful or illegal. In that case, (depending on the terms of the particular Notes) the Issuer may need to (a) adjust the terms of the Notes so that it is no longer illegal for it to perform its obligations, (b) early redeem the Notes or (c) substitute the relevant Underlying Asset.</p> <p>Where the Notes are linked to one or more Underlying Assets, the investment objective of the Notes 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 Notes based on the original terms and conditions of the Notes. The Issuer will need to make certain discretionary determinations in order to preserve the original economic objective and rationale of the Notes.</p> <p>In addition, the Issuer 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 Notes and to enable it to issue the Notes at the relevant price and on the relevant terms. If the amount(s) payable by the Issuer under the Notes depend on the performance of the Underlying Asset(s) or an interest rate, the hedging arrangements may involve (a) holding the Underlying Asset(s) or the components constituting the Underlying Assets(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 Notes. The exercise of the Issuer's discretion is necessary if an external event occurs subsequent to the issuance of the Notes which negatively impacts the Issuer'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 Notes.</p>		

<p><b>If such an event occurs, what actions can the Issuer take?</b></p>	<p>Broadly, depending on the terms of the Notes (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), the Issuer may take one or more of the following actions in order to deal with the effect of the events outlined above:</p> <p>(a) <b>Adjustments to the terms and conditions of the Notes:</b> The Issuer may adjust the terms and conditions of the Notes to account for the economic effect of the external event on the Underlying Asset(s) or (where applicable in relation to the particular Notes) on its hedging arrangements, and to preserve the original economic objective and rationale of the Notes. This may include adjustments to the amount(s) payable and/or any variable relevant to payment under the Notes.</p> <p>(b) <b>Substitution of the Underlying Asset(s):</b> 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), the Issuer may substitute the Underlying Asset(s) with a replacement asset satisfying the criteria set out in the applicable Terms and Conditions. The Issuer may also make adjustments to the terms and conditions of the Notes to account for such event and the replacement of the original Underlying Asset, and to preserve the original economic objective and rationale of the Notes.</p> <p>(c) <b>Early redemption and/or payment of the Early Redemption Amount:</b> In certain situations, if the Issuer 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, replacement index or replacement reference rate, as the case may be (if applicable), or it would be unlawful or would contravene applicable licensing requirements for the Issuer to perform the relevant determinations or calculations or an adjustment spread is or would be a benchmark, index or other price source that would subject the Issuer or the Calculation Agent to material additional regulatory obligations (if applicable), the Issuer may either (i) early redeem the Notes or (ii) redeem the Notes on maturity, in each case by payment of the 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 Notes on account of interest or otherwise following such determination by the Issuer, provided that, in respect of Instalment Notes, 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 early redemption of the Notes shall continue to be paid on such Instalment Date. See "How is the Early Redemption Amount calculated?" below.</p>
<p><b>How is the Early Redemption Amount calculated?</b></p>	<p>The Early Redemption Amount may be:</p> <p>(a) "par" which is the outstanding principal amount of such Notes plus accrued and unpaid interest;</p> <p>(b) the specified minimum amount; or</p> <p>(c) a sum equal to the fair market value of the Notes immediately prior to such redemption (which may be greater than or equal to zero), such value to be calculated by the Calculation Agent or the Issuer using its internal models and methodologies, taking into account the time remaining to maturity of the Notes, the relevant interest rates, the</p>

	<p>value, expected future performance and/or volatility of the Underlying Asset(s) (if any) and any other relevant information.</p> <p>In each case, the Early Redemption Amount may, if so specified in the relevant Pricing Supplement, be adjusted to account for any associated losses, expenses or costs that are incurred (or would be incurred) by the Issuer and/or its affiliates as a result of unwinding, establishing, re-establishing and/or adjusting any hedging arrangements in relation to the Notes.</p>
<p><b>What is the effect of such event and/or action taken by the Issuer?</b></p>	<p>Any of the above actions, if taken by the Issuer, may result in a reduced return on the Notes and/or have a material adverse impact on the value of the Notes. The Early Redemption Amount could be less than such investor's initial investment (and may be reduced to zero).</p> <p>Further, if the Notes are redeemed early prior to the scheduled maturity, an investor may be unable to reinvest the redemption proceeds in another investment at the time that provides an equivalent return.</p>
<p><b>Will the Issuer notify me if such an event occurs and/or if it takes any of the above actions?</b></p>	<p>Yes, the Issuer will generally give notice to Noteholders as soon as practicable upon making any adjustments to the terms and conditions of the Notes, or if it substitutes an Underlying Asset with a replacement asset, or if the Issuer determines to early redeem the Notes or to pay the Early Redemption Amount at maturity, or if the Issuer makes any other discretionary determination.</p>
<p><b>Are there any other situations where the Issuer may make discretionary determinations?</b></p>	<p><i>Disruption events affecting the valuation of an Underlying Asset</i></p> <p>If the Issuer determines that a disruption event in relation to an Underlying Asset has occurred which affects the valuation of such Underlying Asset on any relevant day, the Issuer may postpone, or apply alternative provisions for, the valuation of such Underlying Asset (such as by making its own determination of the value of such Underlying Asset or using an estimate of any variable to calculate the amount(s) payable under the Notes). Such determination(s) may have an adverse effect on the value of the Notes.</p>
<p><b>How will the Issuer exercise its discretion?</b></p>	<p>In considering whether and how to make such a discretionary determination, the Issuer shall (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 discretionary determination in accordance with its applicable regulatory obligations.</p>
<p><b>Where can I find more information?</b></p>	<p>See risk factors 3(h) (<i>In certain circumstances, the Issuer may redeem the Notes (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>), 4(i) (<i>Occurrence of Additional Disruption Event</i>), 5(k) (<i>Risks associated with reference rates by reference to which any amount payable under the Notes is determined</i>) and 6(b)(v) (<i>Occurrence of Index Adjustment 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.*

### Credit Suisse International

CSi was incorporated in England and Wales under the Companies Act 1985, on 9 May 1990, with registered no. 2500199, 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 Credit Suisse Group AG ("**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 CS. For more information on CSi's principal markets and activities, see sub-sections "Profile" on page 8 and "Principal business areas" on page 9 of the 2017 CSi Annual Report (as defined in the CSi Registration Document), which is incorporated by reference in the CSi Registration Document.

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

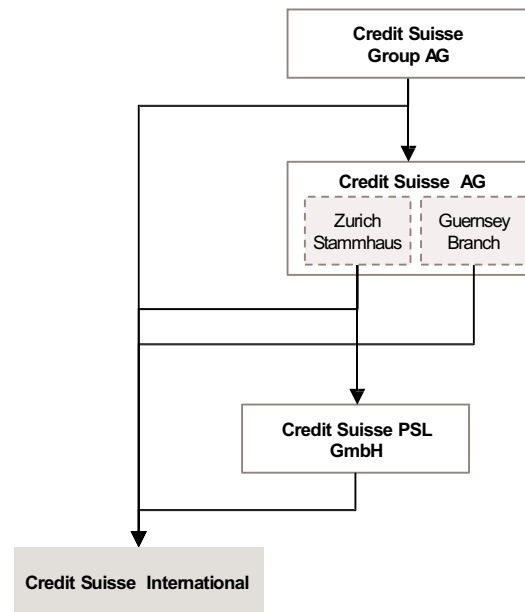
The subsidiaries of CSi which are consolidated in the financial statements contained in the 2017 CSi Annual Report (as defined in the CSi Registration Document) are listed under sub-section "Composition of the CSi Group" on pages 89 to 91 of the 2017 CSi Annual Report (as defined in the CSi Registration Document). For information on CSi's relationship to CSG, see page 8 of the 2017 CSi Annual Report (as defined in the CSi Registration Document).

### Major Shareholders

The shareholders of CSi are:

- (i) 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 CS;
- (ii) CS, 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;

- (iii) CS, 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 CS on 1 April 1986 and whose principal activities are deposit taking, bond issuing and lending the funds received within the Credit Suisse Group; and
- (iv) Credit Suisse PSL GmbH, whose registered office is c/o CS, 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 and its consolidated subsidiaries since 30 June 2018.

There has been no material adverse change in the prospects of CSi and its consolidated subsidiaries since 31 December 2017.

See pages 12 and 131 to 143 of the 2017 CSi Annual Report, and the "*Risk Factors*" section of the Listing Supplement and its Supplements that together disclose the principal risks to CSi.

Please see "Economic Environment" on pages 10 to 11 of the 2018 CSi Interim Report, "Operating environment" on pages 4 to 6 of the fifth exhibit (Credit Suisse Financial Report 2Q18) to the Form 6-K of CSG and CS filed with the SEC on 31 July 2018, "Operating Environment" on pages 4 to 6 of the exhibit (Credit Suisse Financial Report 1Q18) to the Form 6-K of CSG and CS filed with the SEC on 3 May 2018, "Operating Environment" on pages 54 to 56 of CSG Annual Report 2017 and "Economic environment" on pages 9 to 10 of the 2017 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"> <li>• Independent member and Chair of the Board of Directors, the Nomination and the Advisory Remuneration Committee, independent member of the Risk Committee of CSi and Credit Suisse Securities (Europe) Limited.</li> <li>• Ms. Doyle is also:               <ul style="list-style-type: none"> <li>• Chair of the Board of Directors, Chair of the Corporate Governance and Nominating Committee and of the Executive-Finance Committee and Member of the Safety &amp; Sustainability Committee of Newmont Mining Corporation.</li> </ul> </li> </ul>
Paul Ingram	<ul style="list-style-type: none"> <li>○ Managing Director in the CRO division of CSi.</li> <li>• Mr. Ingram is also Chief Risk Officer of CSi and Credit Suisse Securities (Europe) Ltd.</li> <li>• Member of the Board of Directors of Credit Suisse Securities (Europe) Limited</li> </ul>
Christopher Horne	<ul style="list-style-type: none"> <li>○ Managing Director in the CFO division and Chair of the Disclosure Committee of CSi.</li> <li>○ Mr. Horne is also Deputy CEO of CSi and Credit Suisse Securities (Europe) Ltd.</li> <li>○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited, Credit Suisse Investment Holdings (UK) and Credit Suisse Investments (UK).</li> </ul>
Alison Halsey (Non-Executive)	<ul style="list-style-type: none"> <li>○ Independent member of the Board of Directors, Chair of the Audit Committee and the Conflicts Committee and Member of the Risk Committee, the Nomination Committee and the Advisory Remuneration Committee of CSi and Credit Suisse Securities (Europe) Limited.</li> <li>○ Ms. Halsey is also:               <ul style="list-style-type: none"> <li>▪ Non-executive Director and Member of the Risk, Compliance and Nominations Committees and Chair of the Audit Committee of Aon UK Limited.</li> </ul> </li> </ul>
David Mathers (CEO)	<ul style="list-style-type: none"> <li>○ Managing Director in the CFO division of CS.</li> <li>○ Mr. Mathers is also CEO of CSi and Credit Suisse Securities (Europe) Ltd and CFO of CS.</li> <li>○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.</li> </ul>
Robert Endersby (Non-Executive)	<ul style="list-style-type: none"> <li>○ Independent member of the Board of Directors, Chair of the Risk Committee and Member of the Audit, the Advisory Remuneration and the Conflicts Committee</li> </ul>

	<p>of CSi and Credit Suisse Securities (Europe) Limited.</p> <ul style="list-style-type: none"> <li>○ 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.</li> </ul>
Caroline Waddington	<ul style="list-style-type: none"> <li>○ Managing Director in the CFO division of CSi.</li> <li>○ Ms. Waddington is also Regional CFO for Credit Suisse UK Regulated Entities including CSi and Chair of the UK Pension Committee.</li> <li>○ 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).</li> <li>○ Ms. Waddington is a member of the Board of Directors of: <ul style="list-style-type: none"> <li>▪ NameCo (No.357) Limited;</li> <li>▪ Roffey Park Institute Limited; and</li> <li>▪ Brook House (Clapham Common) Management Company Limited.</li> </ul> </li> </ul>
John Devine (Non-Executive)	<ul style="list-style-type: none"> <li>○ Independent member of the Board of Directors, the Audit, the Nomination and the Conflicts Committee of CSi and Credit Suisse Securities (Europe) Limited.</li> <li>○ Mr. Devine is also <ul style="list-style-type: none"> <li>▪ Non-Executive Director, Chair of Audit Committee, Member of Risk Committee and Remuneration Committee of Standard Life Aberdeen PLC.</li> <li>▪ 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.</li> </ul> </li> </ul>
Jonathan Moore	<ul style="list-style-type: none"> <li>○ Managing Director in the Fixed Income Department within the Investment Banking Division of CSi.</li> <li>○ Mr. Moore is also Co-Head of Global Credit Products in EMEA and Head of EMEA Credit Trading and Global Derivatives.</li> <li>○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.</li> </ul>
Michael Dilorio	<ul style="list-style-type: none"> <li>○ Managing Director in the Global Markets division of CSi.</li> <li>○ Mr. Dilorio is also Head of EMEA Equities which includes Cash Equities, Syndicate, Convertibles, Prime Services and Equity Derivatives.</li> <li>○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.</li> </ul>

Andreas Gottschling (Non-Executive)	<ul style="list-style-type: none"> <li>○ Independent member of the Board of Directors, the Risk Committee and Advisory Remuneration Committee of CSi and Credit Suisse Securities (Europe) Limited.</li> <li>○ Mr. Gottschling is also a member of the Board of Directors and the Audit Committee and Chair of the Risk Committee of CS and CSG.</li> </ul>
Nicola Kane	<ul style="list-style-type: none"> <li>○ Managing Director in the COO division of CSi.</li> <li>○ Ms. Kane is also Global Head of Group Operations and Co-Head of Operations' Technology and Solutions Deliver.</li> <li>○ Member of the Board of Directors of Credit Suisse Securities (Europe) Limited.</li> </ul>

Pages 1 to 7 and 9 of the 2018 CSi Interim Report and pages 1 to 9 and 27 to 28 of the 2017 CSi Annual Report provide further information on the Issuer'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 / CS 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 this Supplement to Listing Supplement 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 CSi is not aware of any such proceedings being either pending or threatened, except as disclosed in the 2017 CSi Annual Report (under the heading Contingent Liabilities and Other Commitments on page 89) and below:

- 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 63 million, repayment of EUR 100 million of collateral held by CSi and release from all future obligations under the trades. Witness hearings took place in June to October 2017 and January 2018. A further hearing is expected to be scheduled for December 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 Mocambiacana 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 23 to the interim consolidated financial statements on page 48 of the 2018 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 28 to 33 of the 2017 CSi Annual Report.

### **Financial Information**

Financial information relating to CSi is contained in its Annual Reports for the years ended 31 December 2016 and 31 December 2017 (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 "UNITED STATES" under "TAXATION" shall be updated by the information below.*

### UNITED STATES

The following is an overview of certain of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a "**Non-U.S. Holder**" (as defined below) that has no connection with the United States other than owning Notes. For purposes of this section, a Non-U.S. Holder is a beneficial owner of the Notes that is: (i) a non-resident alien individual for U.S. federal income tax purposes; (ii) a foreign corporation for U.S. federal income tax purposes; or (iii) an estate or trust whose income is not subject to U.S. federal income tax on a net income basis. If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Investors that are not non-U.S. holders or investors that are partnerships, should consult their tax advisers with regard to the U.S. federal income tax considerations of an investment in the Notes.

This summary is based on interpretations of the United States Internal Revenue Code of 1986 (the "**Code**"), Treasury regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any of those changes may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. Prospective investors should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of Notes arising under the laws of any other taxing jurisdiction.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES

### U.S. Foreign Account Tax Compliance Act

Under certain tax information reporting and withholding provisions generally referred to as "FATCA", a 30 per cent. withholding tax is imposed on "withholdable payments" and certain "passthru payments" made to (i) a "foreign financial institution" unless the financial institution complies with, among other things, certain information reporting and withholding obligations with respect to its accounts in accordance with applicable rules implementing FATCA in the financial institution's jurisdiction or in accordance with an agreement entered into between the financial institution and the IRS, and (ii) any other Holder or beneficial owner that does not comply with the Issuer's or an intermediary financial institution's request for ownership certifications and identifying information.. "FATCA" means sections 1471 through 1474 of the Code, any final current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code, or any U.S. or non-U.S. fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such account sections of the Code or any other non-U.S. tax information reporting regimes. The term "withholdable payments" generally includes (1) payments of fixed or determinable annual or periodical gains, profits, and income ("**FDAP**"), in each case, from sources within the United States (including payments on Notes treated as "dividend equivalents" under section 871(m) of the Code), and (2) gross proceeds from the sale, redemption or other disposition of any property of a type which can produce interest or dividends from sources within the United States (including payments on Notes one or more payments on which are treated as "dividend equivalents" under section 871(m) of the Code). "Passthru payments" means any withholdable payment and any "foreign passthru payment" which is currently not defined. To avoid becoming subject to the 30% withholding tax on payments to it, a financial institution may be required to report information to the IRS regarding the holders of the Notes. In the case of holders who (i) fail to provide the relevant information, (ii) are foreign financial institutions who have not agreed to comply with these information reporting requirements, or (iii) hold the Notes directly or indirectly through such noncompliant foreign financial institutions, a payor may be required to withhold on a portion of payments under the Notes.

We and other intermediary foreign financial institutions may be required to report information to the IRS regarding the holders of the Notes and, in the case of holders or beneficial owners who (i) fail to provide the relevant information, (ii) are foreign financial institutions who are not in compliance with applicable information reporting requirements, or (iii) hold the Notes directly or indirectly through such non-compliant foreign financial institutions, we or another withholding agent may be required to withhold tax at a rate of 30 per cent on payments under the Notes, including on gross proceeds. FATCA also may require withholding agents making payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial United States owners (or certify that they do not have any substantial United States owners) to withhold tax at a rate of 30 per cent, including on gross proceeds. Withholding under FATCA may apply without regard to whether the beneficial owner of the payment is a U.S. person, or would otherwise be entitled to an exemption from the imposition of withholding tax pursuant to an applicable tax treaty with the United States or pursuant to U.S. domestic law. Further, particular requirements and limitations may apply to any procedures for refunds or credit with respect to amounts withheld or remitted in respect of FATCA. We will not be required to pay any additional amounts with respect to amounts withheld in connection with FATCA.

Subject to the exceptions described below, FATCA's withholding regime applies currently or will apply to (i) withholdable payments; (ii) payments of gross proceeds from a sale, redemption or other disposition of property of a type that can produce U.S. source interest or dividends occurring on or after 1 January 2019; and (iii) foreign passthru payments no earlier than 1 January 2019. Notwithstanding the foregoing, the withholding provisions of FATCA discussed above generally will not apply to any obligation (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that is outstanding on 30 June, 2014 (a "**grandfathered obligation**"), unless the obligation is materially modified after such date. If a Non-U.S. Holder holds its Notes through a foreign financial institution or foreign entity, a portion of any of such Non-U.S. Holder's payments may be subject to 30% withholding. The Issuer will not be required to pay any additional amounts with respect to amounts withheld.

No assurance can be given that payments on the Notes will not be subject to withholding under FATCA. Each potential investor in Notes should consult its own tax advisor to determine how FATCA may affect an investment in the Notes in such investor's particular circumstance.

### **Substitute Dividend and Dividend Equivalent Payments**

Section 871 (m) of the Code and regulations thereunder treat a "dividend equivalent" payment as a dividend from sources within the United States. Such payments generally will be subject to U.S. withholding tax at a rate of 30 per cent. A "dividend equivalent" payment is defined under the Code as (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" (a "specified NPC") that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii).

Final regulations provide that a dividend equivalent is any payment or deemed payment that references the payment of (i) a dividend from an underlying security pursuant to a securities lending or sale-repurchase transaction, (ii) a dividend from an underlying security pursuant to a specified NPC, (iii) a dividend from an underlying security pursuant to a specified equity-linked instrument (a "**specified ELI**"), and (iv) any other substantially similar payment. The regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security. An underlying security is any interest in an entity if a payment with respect to that interest could give rise to a U.S. source dividend pursuant to Treasury regulation section 1.861-3. An NPC is a notional principal contract as defined in Treasury regulation section 1.446-3(c). An equity-linked instrument ("**ELI**") is a financial instrument (other than a securities lending or sale-repurchase transaction or an NPC) that references the value of one or more underlying securities, including a futures contract, forward contract, option, debt instrument, or other contractual arrangement. A "section 871(m) transaction" is any securities lending or sale-repurchase transaction, specified NPC, or specified ELI.

Final regulations and guidance provide that with respect to any transaction issued on or after 1 January, 2017 and before 1 January, 2019, any NPC or ELI that has a delta of one with respect to an underlying security is a specified NPC or specified ELI, respectively. With respect to any transaction issued on or after 1 January, 2019, (a) a "simple" NPC or "simple" ELI that has a delta of 0.8 or greater with respect to an underlying security is a specified NPC or specified ELI, respectively, and (b) a "complex" NPC or "complex" ELI that meets a substantial equivalence test with respect to an underlying security is a specified NPC or specified ELI, respectively. The delta of a simple contract is determined, and the substantial equivalence test for a complex contract is performed, on the earlier of the date that the potential section 871(m) transaction is priced and the date when the potential section 871(m) transaction is issued; however, the issue date must be used if the potential section 871(m) transaction is priced more than 14 calendar days before it is issued. In addition, the delta or substantial equivalence of Notes that are held in inventory prior to their sale to an investor may, in certain cases, be required to be retested at the time of sale or disposition from inventory. If Notes sold from inventory are determined to be section 871(m) transactions and the same series of Notes sold at issuance were determined not to be section 871(m) transactions, holders of Notes sold at issuance may be adversely affected to the extent the Issuer or a withholding agent does not, or is unable to, identify and distinguish Notes sold to investors at issuance from those sold out of inventory.

Certain events could cause previously issued Notes to be deemed to be issued as new Notes for purposes of the effective dates provided in the regulations. For example, it is possible that the IRS could assert that a reconstitution or rebalancing of an underlying basket or index is a significant modification of the Notes due to an exercise of discretion with respect to such reconstitution or rebalancing and, therefore, a deemed issuance of the Notes upon the occurrence of such event. It is also possible that U.S. withholding tax could apply to the Notes under these rules if a holder enters, or has entered, into certain other transactions in respect of the underlying equity or the Notes. A holder that enters, or has entered, into other transactions in respect of the underlying or the Notes should consult its own tax advisor regarding the application of section Code 871(m) to its Notes in the context of its other transactions.

Withholding on payments will be based on actual dividends or, if otherwise notified by the Issuer in accordance with applicable regulations, on estimated dividends used in pricing the Note. If a Note provides for any payments in addition to estimated dividends to reflect dividend amounts on the underlying security, withholding will be based on the total payments. If an issue of Notes is a section 871(m) transaction, information regarding the amount of each dividend equivalent, the delta of the potential 871(m) transaction, the amount of any tax withheld and deposited, the estimated dividend amount and any other information necessary to apply the regulations in respect of such Notes will be provided, communicated, or made available to holders of the Notes in a manner permitted by the applicable regulations. Withholding tax may apply even where holders do not receive a concurrent payment on the Notes in respect of dividends on the underlying. U.S. tax will be withheld on any portion of a payment or deemed payment (including, if appropriate, the payment of the purchase price) that is a dividend equivalent.

If withholding applies, the rate of any withholding may not be reduced even if the holder is otherwise eligible for a reduction under an applicable treaty, although Non-U.S. Holders that are entitled to a lower rate of withholding under a tax treaty may be able to claim a refund for any excess amounts withheld by filing a U.S. tax return. However, holders may not receive the necessary information to properly claim a refund for any withholding in excess of the applicable treaty-based amount. In addition, the IRS may not credit a holder with withholding taxes remitted in respect of its Note for purposes of claiming a refund. Finally, a holder's resident tax jurisdiction may not permit the holder to take a credit for U.S. withholding taxes related to the dividend equivalent amount. The Issuer will not pay any additional amounts with respect to amounts withheld.

The relevant Pricing Supplement may indicate if the Issuer has determined that the Notes are transactions subject to withholding under section 871(m). Although the Issuer's determination generally is binding on holders, it is not binding on the IRS. The IRS may successfully argue that the Notes are subject to withholding under section 871(m), notwithstanding the Issuer's determination to the contrary. These regulations are extremely complex. Non-U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences to them of these

regulations and whether payments or deemed payments on the Notes constitute dividend equivalent payments.

### **Foreign Investment in U.S. Real Property**

A Non-U.S. Holder may be subject to U.S. federal income tax on a disposition of a "U.S. real property interest" as defined in Treasury Regulations section 1.897-1(c) (a "**USRPI**"). Any gain on such disposition is treated as effectively connected with a U.S. trade or business of the non-U.S. holder and is subject to tax and withholding on the amount realized on the disposition. A USRPI may consist of a direct interest in U.S. real property or an interest in a United States real property holding corporation (a "**USRPHC**") within the meaning of section 897 of the Code. However, an interest in a USRPHC that does not exceed generally 5% of the corporation's regularly traded stock is not a USRPI.

Thus, a Non-U.S. Holder who owns directly, indirectly or constructively, shares of any of the underlying that are considered to be a USRPI, or other interests having a return based on the appreciation in the value of, or in the gross or net proceeds or profits generated by, such underlying, may be subject to U.S. federal income tax on the sale or exchange of the Notes if such Non-U.S. Holder owns more than generally 5% of the shares of such underlying when considering the shares or interests of such underlying that are directly, indirectly or constructively owned by such Non-U.S. Holder. Ownership of the Notes may also impact the taxation of such other shares or interests.

The Issuer does not intend to determine whether the issuer of shares in any underlying is a USRPHC. It is possible that the issuer of shares in an underlying is a USRPHC, and that the Notes constitute an ownership interest in or an option on a USRPI, with the consequences described above. It is also possible that the issuer of shares in such underlying is not a USRPHC.

Each Non-U.S. Holder, in connection with acquiring the Notes, is deemed to represent that it does not own, and will not own, more than 5 per cent. of the shares of each of the underlying that is considered to be a USRPHC, either directly, indirectly or constructively. The Issuer and any withholding agent will rely on the accuracy of this representation. For purposes of this discussion, any interest other than solely as a creditor within the meaning of Treasury Regulations Section 1.897-1(d) shall be treated as ownership of shares of the underlying. Even if the Issuer does not withhold, there can be no assurances that an intermediary withholding agent will not withhold in respect of a Note. Further, holders may have U.S. income tax liability that exceeds amounts withheld, if any. The Issuer will not make any additional payments for any amounts withheld or tax liability arising under section 897 of the Code.

Holders should consult their own tax advisors on the impact of other shares or interests in the underlying, the impact of ownership of the Notes on such other shares or interests, and the consequences of making the representation in the preceding paragraph.

### **U.S. Federal Estate Tax Treatment**

A Note may be subject to U.S. federal estate tax if an individual holds the Note at the time of his or her death. The gross estate of a Non-U.S. Holder domiciled outside the United States includes only property situated in the United States. Holders should consult their tax advisors regarding the U.S. federal estate tax consequences of holding the Notes at death.

### **Backup Withholding and Information Reporting**

A Non-U.S. Holder of the Notes may be subject to backup withholding with respect to certain amounts paid to such holder unless it provides a correct taxpayer identification number, complies with certain certification procedures establishing that it is not a U.S. person or establishes proof of another applicable exemption, and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. A Non-U.S. Holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and amounts in excess of its liability are refundable if such holder provides the required information to the IRS in a timely fashion. A Non-U.S. Holder of the Notes may also be subject to information reporting to the IRS with respect to certain amounts paid to such holder



unless it (1) provides a properly executed IRS Form W-8 (or other qualifying documentation) or (2) otherwise establishes a basis for exemption. If such withholding applies, the Issuer will not be required to pay any additional amounts with respect to amounts withheld.