

PRICING SUPPLEMENT

Pricing Supplement dated 20 May 2014

Credit Suisse AG, London Branch

EUR 4,000,000 Credit Linked Notes linked to iTraxx® Europe Crossover Series 21 and a basket of
ETFs
(the "Securities")

issued pursuant to the Structured Products Programme for the issuance of Notes,
Certificates and Warrants

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Programme Memorandum dated 10 July 2013 as supplemented by any further supplements up to and including the Issue Date. This document constitutes the Pricing Supplement of the Securities described herein. Copies of the Programme Memorandum may be obtained from the registered office of the Issuer and the offices of the Agents specified herein.

This Pricing Supplement does not constitute final terms for the purposes of Article 5.4 of Directive 2003/71/EC as amended by Directive 2010/73/EU Directive (the "**Prospectus Directive**"). The Issuer is not offering the Securities in any jurisdiction in circumstances which would require a prospectus pursuant to the Prospectus Directive. Nor is any person authorised to make such an offer of the Securities on behalf of the Issuer in any jurisdiction. In addition, no application has been made (nor is it proposed that any application will be made) for listing of the Securities on any stock exchange.

The terms and conditions applicable to the Securities are the General Conditions of Notes, as supplemented and modified by the Product Supplement for Credit Linked Securities dated 11 September 2013 (as supplemented at the date of this Pricing Supplement, the "**Product Supplement**"), as completed by this Pricing Supplement.

Except as set out below, the Securities will be subject to the General Conditions set out in the Programme Memorandum, the Asset Terms set out in the Product Supplement and also the following Pricing Supplement and the Fund Linked Asset Terms herein:

Not applicable means an item is not applicable at the date of this Pricing Supplement, subject to amendment as provided in the Product Supplement. Words in italics do not form any part of the Pricing Supplement.

1	Issuer:	Credit Suisse AG
	Branch:	London Branch
2	Series Number:	SPLB2014-270
3	Tranche Number:	Not Applicable
4	Applicable General Terms and Conditions:	Notes
5	Specified Currency or Currencies:	EUR
6	Aggregate Nominal Amount:	

No person is authorised to give any information or to make any representation not contained in the Programme Memorandum, the Product Supplement and this Pricing Supplement (together, the "**Issue Documentation**"), and neither the Issuer, nor any Dealer or Selling Agent accepts responsibility for any information or representation so given that is not contained in the Issue Documentation. The Issue Documentation does not constitute an offer of Securities, and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer of solicitation. No action is being taken to permit an offering of the Securities or the distribution of the Issue Documentation in any jurisdiction where any such action is required except as specified in this Pricing Supplement and the Local Supplement.

Any prospective purchaser of Securities should ensure that it understands the nature of the Securities and the extent of its exposure to risk and that it considers the suitability of the Securities as an investment in the light of its own circumstances and financial condition, as a professional investor. The Securities differ from an ordinary debt security in that the amount which a holder may receive on redemption of the Securities will depend on whether a Credit Event has occurred and the performance of the Asset and may be zero in such case. There is no assurance that the value received by a holder on redemption will equal the nominal amount of a Security. The attention of any prospective purchaser is drawn to the "Risk Factors" in the Programme Memorandum, the "Frequently Asked Questions", "Description of the Asset Terms and the Reference CDS", and the "Additional Risk Factors" in the Product Supplement, and the "Other Risk Factors" and "Economic Proposition" in Schedules 4 and 5 respectively of this Pricing Supplement. Any prospective purchaser should conduct its own investigation into the Reference Entity, the Reference Obligations and/or the Asset (each, as applicable and as defined herein) and, in deciding whether or not to purchase Securities, the prospective purchaser should form its own view of the merits of an investment (and, in particular a complex credit-linked and fund-linked investment) related to the Reference Entity, the Reference Obligations and/or the Asset (as applicable) based upon such investigations and not in reliance upon any information given in the Issue Documentation.

The Issuer accepts responsibility accordingly. The delivery of this Pricing Supplement at any time does not imply that any information contained herein is correct any time subsequent to the date hereof.

	(i) Series:	EUR 4,000,000
	(ii) Tranche:	Not applicable
7	Issue Price:	100 per cent. of the Aggregate Nominal Amount
8	Specified Denomination:	EUR 100,000
9	Issue Date:	20 May 2014
10	Maturity Date:	The later of (i) 27 June 2019 (the " Scheduled Maturity Date "), and (ii) 3 Business Days following the latest date on which the Hedging Entity would receive in full the redemption proceeds from the unwinding of its hedge in respect of the Final Valuation Date, subject to the Following Business Day Convention, provided that the maturity of the Securities shall be subject to deferral in accordance with the Asset Terms for Credit-linked Securities.
11	Interest Basis:	Not applicable
12	Premium Basis:	Not applicable
13	Redemption/Payment Basis:	Credit Linked
	Principal Protection:	Not applicable
14	Put/Call Options:	Not applicable
PROVISIONS RELATING TO INTEREST AND PREMIUM		
15	Fixed Rate Provisions:	Not Applicable
16	Floating Rate Provisions:	Not applicable
17	Premium Provisions:	Not applicable
PROVISIONS RELATING TO REDEMPTION		
18	Redemption Amount:	The Redemption Amount in respect of each Security will be an amount in EUR per Security equal to the sum of the Conditional Redemption Amount and the Upside Participation (as defined in Schedule 2 (<i>Upside Participation</i>)). " Conditional Redemption Amount " shall be the amount determined in accordance with Asset Term 2 of the Asset Terms for Credit-linked Securities.
19	Settlement Currency: (<i>Currency in which payments will be made</i>)	The Specified Currency
20	Adjustments Convention	Not applicable
21	Details relating to Instalment	Not applicable

Securities

22	Call Option:	Not applicable
23	Put Option:	Not applicable
24	Underlying Assets:	Not applicable
25	Equity-linked Securities:	Not applicable
26	Equity Index-linked Securities:	Not applicable
27	Commodity-linked Securities:	Not applicable
28	Commodity Index-linked Securities:	Not applicable
29	ETF-linked Securities:	Applicable, as supplemented by and subject to the amendments set out in Schedule 1 (<i>Supplemental Asset Terms for ETF-linked Securities</i>). Items in the ETF-linked Securities Asset Terms which are not set out below will be deemed to be not applicable.
	Single ETF Share or ETF Share Basket:	ETF Share Basket
	(i) ETFs:	As specified in Schedule 3 (<i>Asset Components, Asset Rebalancing and Investment Restrictions</i>)
	(ii) Funds:	As specified in Schedule 3 (<i>Asset Components, Asset Rebalancing and Investment Restrictions</i>)
	(iii) Exchanges:	Deutsche Borse (Xetra) and Nasdaq OMX Helsinki
	(iv) Related Exchanges:	All Exchanges
	(v) Trade Date:	6 May 2014
	(vi) Additional Disruption Event:	
	(a) Change in Law:	Change in Law Option 1 Applicable
	(b) Fund Insolvency Event:	Applicable
	Fund Insolvency Entity:	Service Provider (as defined in Schedule 1 (<i>Supplemental Asset Terms for ETF-linked Securities</i>))
	(c) Fund Modification:	Applicable
	(d) Hedging Disruption:	Applicable
	(e) Increased Cost of Hedging:	Applicable
	(f) Regulatory Action:	Applicable

	(g) Strategy Breach:	Applicable
	(h) Loss of Stock Borrow:	Applicable
	Maximum Stock Loan Rate:	zero
	(i) Increased Cost of Stock Borrow:	Applicable
	Initial Stock Loan Rate:	zero
30	Fund-linked Securities:	Not applicable
31	FX-linked Securities:	Not applicable
32	FX Index-linked Securities:	Not applicable
33	Inflation Index-linked Securities:	Not applicable
34	Interest Rate Index -linked Securities:	Not applicable
35	Cash Index-linked Securities:	Not applicable
36	Credit Linked Securities:	Applicable
	(i) Type:	Basket Credit Linked Securities
	(ii) Trade Date:	6 May 2014
	(iii) Scheduled Termination Date:	20 June 2019
	(iv) Reference Entity(ies):	Each Reference Entity given in the Relevant Annex for which the Reference Entity Weighting is greater than zero as at the Trade Date, provided that if a Succession Event occurs and a Successor or Successors are determined, each Successor shall be a Reference Entity.

Where:

"Index Publisher" means Markit Group Limited or any replacement therefor appointed by the Index Sponsor for the purposes of officially publishing the Reference Index;

"Index Sponsor" means International Index Company Ltd., or any successor sponsor of the Reference Index;

"Reference Entity Weighting" means the percentage set out opposite the Reference Entity in the Relevant Annex and as amended from time to time;

"Reference Index" means iTraxx® Europe Crossover Series 21; and

"Relevant Annex" means, on any given Business Day, the list for the relevant Reference Index

		applicable as of such Business Day, as published by the Index Publisher.
(v)	Reference Entity Notional Amount(s):	As determined in accordance with the Asset Terms for Credit Linked Securities
(vi)	Reference Obligation(s):	As set out in the Relevant Annex
(vii)	Transaction Type:	Not applicable
(viii)	All Guarantees:	Applicable
(ix)	Credit Events:	Bankruptcy Failure to Pay Restructuring Modified Restructuring and Conditionally Transferable Obligation: Applicable Multiple Holder Obligation: Applicable
(x)	Publicly Available Information:	Publicly Available Information: Applicable Specified Number: 2
(xi)	Obligation(s):	
	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
	Additional Obligation(s):	Not applicable
	Excluded Obligation(s):	Not applicable
(xii)	Deliverable Obligations:	
	Deliverable Obligation Category:	None
	Deliverable Obligation Characteristics:	None
	Additional Deliverable Obligation:	Not applicable
	Excluded Deliverable Obligation:	Not applicable
(xiii)	Leveraged Credit Linked Securities:	Not applicable
	Leverage Factor:	Not applicable
(xiv)	Principal Protected Credit Linked Securities:	Not applicable
(xv)	Zero Recovery Credit Linked Securities:	Applicable

- (xvi) Settlement Deferral: Applicable
- (xvii) Additional provisions relating to Credit Linked Securities, including any amendment or variation to the Reference CDS or Asset Terms for Credit Linked Securities **Index Disclaimer:** The Markit iTraxx® Europe Crossover index (for the purposes of this paragraph, the "**Index**") is a registered trade mark of International Index Company, Markit Group and has been licensed for the use by Credit Suisse AG. International Index Company does not approve, endorse or recommend Credit Suisse AG, this trade idea, or this product (together the "**Product**"). The Product is derived from a source considered reliable, but International Index Company Limited and its employees, suppliers, subcontractors and agents (together International Index Company Associates) do not guarantee the veracity, completeness or accuracy of the Product or other information furnished in connection with the Product. No representation, warranty or condition, express or implied, statutory or otherwise, as to condition, satisfactory quality, performance, or fitness for purpose are given or assumed by International Index Company Limited or any of the International Index Company Associates in respect of the Product or any data included in it or the use by any person or entity of the Product or that data and all those representations, warranties and conditions are excluded save to the extent that such exclusion is prohibited by law. International Index Company Limited and the International Index Company Associates shall have no liability or responsibility to any person or entity for any loss, damages, costs, charges, expenses or other liabilities whether caused by the negligence of International Index Company Limited or any of the International Index Company Associates or otherwise, arising in connection with the use of the Product.

GENERAL PROVISIONS

- 37 (i) **Form of Securities:** Bearer Securities
- (ii) **Global Security:** Permanent Global Security
- 38 **Financial Centre(s):** London
- Business Centre: London and TARGET
- 39 **Minimum Transferable Number of Securities:** One
- 40 **Listing and Admission to Trading:**
- (i) Stock Exchange(s) to which application will initially be made to list the Securities: (Application) None

	may subsequently be made to other stock exchange(s):	
	(ii) Admission to trading:	Not applicable
41	Entities (other than stock exchanges) to which application for listing and/or approval of the Securities will be made:	Not applicable
42	Security Codes and Ticker Symbols:	
	ISIN Code:	XS1040366277
	Common Code:	104036627
	Swiss Security Number:	22882371
	Telekurs Ticker:	Not applicable
	WKN number:	Not applicable
43	Clearing and Trading:	
	Clearing System(s) and any relevant identification number(s):	Euroclear Bank S.A./N.V. and Clearstream Banking, SA, Luxembourg
	Delivery of Securities:	Delivery against payment
	Minimum Trading Lot:	One
44	Agents:	
	Calculation Agent:	Credit Suisse International One Cabot Square London E14 4QJ
	Fiscal Agent/Principal Certificate Agent:	The Bank of New York Mellon, acting through its London Branch One Canada Square London E14 5AL
	Paying Agents:	The Bank of New York Mellon, acting through its London Branch One Canada Square London E14 5AL
	Additional Agents:	Not applicable
45	Co-Structurer:	Not applicable
46	Dealer(s):	Credit Suisse International
47	Additional steps that may only be taken following approval by	Not applicable

Extraordinary Resolution:

- | | | |
|----|--|----------------|
| 48 | Specified newspaper for the purposes of notices to Securityholders: | Not applicable |
| 49 | Additional Provisions | |
- (a) TEFRA does not apply as Notes cannot be issued in definitive bearer form.
 - (b) Notwithstanding the Specified Denomination, investors resident in the European Economic Area should be advised that they can only purchase Notes for a minimum consideration which is at least the equivalent of EUR 100,000.
 - (c) Early Payment Amount: "**Deduction for Hedge Costs**" applicable.
 - (c) See Schedule 1 (*Supplemental Asset Terms for ETF-linked Securities*), Schedule 2 (*Upside Participation*) and Schedule 3 (*Asset Components, Asset Rebalancing and Investment Restrictions*).

Responsibility

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

Signed on behalf of the Issuer, acting through the Relevant Branch:

By:  _____
Matthew Fletcher
Authorised Signatory

Duly authorised
By:  _____
Chris Spokes
Authorised Signatory
Duly authorised

SCHEDULE 1

SUPPLEMENTAL ASSET TERMS FOR ETF-LINKED SECURITIES

The following Supplemental Asset Terms for ETF-linked Securities shall apply to the Securities. Capitalised terms used but not otherwise defined in this supplement shall have the meanings given to them in the General Conditions, the ETF-Linked Securities Asset Terms and/or other parts of the Pricing Supplement, as the case may be. In the event of any inconsistency between the definitions in this supplement and the General Conditions and/or the ETF-Linked Securities Asset Terms, this supplement prevails. The determinations, actions and discretions of the Issuer and the Calculation Agent set out in this supplement are cumulative and without prejudice to any determinations, actions and discretions of the Issuer and the Calculation Agent set out in the General Conditions and/or the ETF-Linked Securities Asset Terms.

PART A

1 Asset Events

(a) Asset Substitution Events

If the Calculation Agent deems, determines or declares that an Asset Substitution Event has occurred, the Calculation Agent may, in its sole discretion, at any time:

- (i) waive such Asset Substitution Event; or
- (ii) subject to notice to Securityholders:
 - (A) make any adjustment (including with retrospective effect) it deems appropriate to the Asset Value, the Redemption Amount or any other Calculation Item as a result of such an event; and/or
 - (B) substitute (including with retrospective effect) any affected Asset Component with one or more ETFs (each a "**Substitute ETF**") which comply with the Investment Restrictions and which, in the determination of the Calculation Agent, have a similar risk profile to the affected Asset Component; and/or
 - (C) declare a date (the "**Defeasance Date**") for which it will calculate the Defeasance Upside Participation that will be paid on the Maturity Date of the Securities instead of the Upside Participation.

For the avoidance of doubt, the Issuer and the Calculation Agent are under no obligation to monitor whether the Asset meets the Investment Restrictions or whether an ETF Substitution Event has occurred. The Issuer and the Calculation Agent shall not be liable to any party or person for the Asset not meeting the Investment Restrictions at any time or for an Asset Component triggering an Asset Substitution Event at any time.

(b) Asset Disruption Events

An "**Asset Disruption Event**" occurs if the Calculation Agent deems, determines or declares that there is a Basket Disruption Event, Market Disruption Event or an ETF Substitution Event.

If the Calculation Agent determines that an Asset Disruption Event has occurred in respect of a Valuation Day (the "**Disrupted Valuation Day**"), the Calculation Agent may, subject to notice to Securityholders, choose to:

- (i) make any calculation, determination or adjustment of any variable in respect of the transaction and make any payment (in cash or other consideration), using an estimate of such variable determined in a commercially reasonable manner provided that such estimate shall take into account an amount, as determined by the Calculation Agent, in compensation for a Hypothetical Investor to reflect the

risk that it would take in holding any units of or investment in an Asset Component or other financial instrument as a hedge for the transaction but which it is unable to redeem or liquidate in full and without any restriction imposed whatsoever as of or at any time after the Disrupted Valuation Day; or

- (ii) not make any payment or calculation in respect of the Disrupted Valuation Day and such Disrupted Valuation Day shall be postponed, until the day in respect of which an Asset Disruption Event ceases to exist (such Valuation Day being the "**Postponed Valuation Day**").

If the Postponed Valuation Day falls or, in the determination of the Calculation Agent, is expected to fall, after any interim payment date and/or the Maturity Date then the respective interim payment date and/or Maturity Date shall be postponed until the third Payment Business Day after which the Hypothetical Investor would receive in full the proceeds in respect of the redemption of units of any Asset Component or other financial instrument that it would hold as a hedge for the transaction, unless the Calculation Agent determines that the Issuer can pay an amount earlier.

(c) **Asset Adjustment Events**

If the Calculation Agent determines that an Asset Adjustment Event has occurred, the Calculation Agent may make any adjustment it deems appropriate to the Reference Portfolio Value, the Asset Value, the Redemption Amount or any other Calculation Item to reflect such Asset Adjustment Event.

(d) **ETF Substitution Events**

An "**ETF Substitution Event**" occurs if the Calculation Agent determines that:

- (i) a Potential ETF Substitution Event has occurred on or after the Trade Date in respect of investors generally; or
- (ii) a Potential ETF Substitution Event has occurred with respect to the Hedging Entity; or
- (iii) a notice is published or information is disseminated in respect of any ETF comprised in the Asset which indicates that a Potential ETF Substitution Event will occur on or after the Trade Date.

Unless otherwise specified, the Calculation Agent will make all determinations as to the occurrence of an ETF Substitution Event in its reasonable discretion, including determinations as to materiality or the success or acceptability of any cure, mitigation or replacement.

(e) **Reinvestment of Distributions**

An Asset Component which is an ETF may periodically pay income distributions and capital gain distributions ("**Distribution**"). The Distribution will notionally be invested in further shares or units in such ETF.

Following a Distribution in relation to an Asset Component, (which is a non-capitalising ETF), the Closing Value of Asset Component, in respect of Valuation Day (t) shall be adjusted in accordance with the following formula:

$$S_i^t \times \prod_{j=1}^{k_i^t} \left(\frac{\text{Cumdiv}S_i^{t,j} - d_i^{t,j}}{\text{Cumdiv}S_i^{t,j}} \right)$$

Where:

" $CumdivS_i^t$ " means the Closing Value of Asset Component i with respect to the Cum-Dividend Date in relation to the " i "th Distribution;

"**Cum-Dividend Date**" means the last Exchange Business Day on which shares or units in Asset Component i can be subscribed for cum-dividend;

" d_i^t " means the reinvestment value received per share or unit of the respective Asset Component i in relation to the " i "th Distribution (after deducting any tax or other withholding suffered by the Issuer or an affiliate on the receipt of such Distribution) with such reinvestment value being calculated either by the receipt of units in lieu of payment of such Distribution or by the value of cash received in respect of such Distribution following its reinvestment as soon as possible;

"**Ex-Dividend Date**" means the first Exchange Business Day on which shares or units in Asset Component i can be purchased or sold ex-dividend;

" j " means a series of whole numbers from one to k_i^t each representing a different Distribution in relation to Asset Component i from (but excluding) Valuation Day t to (and including) Final Valuation Date;

" k_i^t " means the number of Distribution relating to Asset Component i having Ex-Dividend Dates falling during the period from (but excluding) the Valuation Day t to (and including) Final Valuation Date; and

" S_i^t " means the Closing Value of Asset Component i with respect to Valuation Day t .

For the avoidance of doubt, if there is no Distribution in relation to Asset Component i with an Ex-Dividend Date falling from (but excluding) Valuation Day t to (and including) Final Valuation Date, there will be no adjustment to the Closing Value pursuant to this clause.

2 Calculations and Determinations

(a) General

Unless otherwise specified, the Issuer or the Calculation Agent shall make all calculations and determinations in respect of the Conditions. All calculations and determinations made by the Issuer or the Calculation Agent shall be made in good faith and in a commercially reasonable manner. All calculations and determinations shall, in the absence of manifest error, be final, conclusive and binding on Securityholders. For the avoidance of doubt, any calculations or determinations made by the Issuer or the Calculation Agent under the Conditions on an estimated basis shall not be revised following the making of such calculation or determination.

(b) Rounding

Any calculations made under the Conditions shall be made by the Issuer or the Calculation Agent applying rounding, in the relevant currency, as it determines appropriate in its sole and absolute discretion.

(c) Construction

For the avoidance of doubt, as used in the Conditions, (i) in relation to a term of any formula, " t " or "(t)" means the value of that term for the relevant day or period, as the case may be, and, in relation to other terms in that formula: (a) references to " t " or "(t)" shall be to the value of that term at the same day or period, respectively; and (b)

references to " t " plus or minus a specified number (i.e. " $t+1$ ", " $t+2$ ", or " $t-1$ " or, as the case may be, " $(t+1)$ ", " $(t+2)$ " or " $(t-1)$ ") shall be to the value of that term for the day or period, as the case may be, falling that specified number of days or periods, respectively, after or before, as the case may be, the day or period to which " t " or " (t) " relates, (ii) in relation to any day or period, as the case may be, " t " or " (t) " means the relevant day or period, respectively and, in respect of that day or period, references to " t " or " (t) " plus or minus a specified number (i.e. " $t+1$ ", " $t+2$ ", or " $t+3$ " or, as the case may be, " $(t+1)$ ", " $(t+2)$ " or " $(t+3)$ ") shall be to the day or period falling that specified number of days or periods, respectively, after or before, as the case may be, the day or period to which " t " or " (t) " relates, (iii) in relation to a term of any formula " o " means the value of that term for the initial specified day or period, as the case may be, and, in relation to any day or period, as the case may be, means the initial specified day or period, respectively, and (iv) in relation to a term of any formula " i " means the value of that term for the day or period, as the case may be, immediately following the initial specified day or period, respectively, and, in relation to any day or period, as the case may be, means the day or period, respectively, immediately following the initial specified day or period.

(d) **Methodology**

In making any calculations or determinations under this Schedule 1, the Issuer or the Calculation Agent will use the formulae set out in the Conditions. However, the Issuer or the Calculation Agent may, in its absolute discretion, modify such methodology for the purposes of curing any ambiguity or correcting or supplementing any provision herein or, following any change in the basis on which any information is calculated or provided or otherwise howsoever which would materially change the commercial effect of any provision or provisions herein, amending any provision or provisions herein if such amendment is for the purpose of mitigating the effect of such change or replacing any information provider or information source named herein or any previous replacement information provider or source. The Issuer or the Calculation Agent may agree to consult with any person regarding any potential amendment to the methodology.

(e) **Reliance**

In making any calculations or determinations under this Schedule 1, the Issuer or the Calculation Agent may rely upon the opinion of any person who appears to it as being competent to value assets of any class or classes by reason of any appropriate professional qualification or experience of any relevant market or asset.

(f) **Not Acting as Fiduciary**

In making calculations and determinations under this Schedule 1, neither the Issuer nor the Calculation Agent shall act as principal and not as agent or fiduciary of any other person. Each calculation and determination performed by the Issuer or the Calculation Agent hereunder is performed in reliance upon this and subject thereto. If by performing any such calculation or determination the Issuer or the Calculation Agent is rendered an agent or fiduciary for another person under applicable law, then its right and obligation to perform such calculation or duty may be suspended at its option (or, if already performed, its application may be suspended) until such calculation or determination may be performed by it as principal and not as agent or fiduciary (or until it may be performed by an appropriate third party that is willing and able to perform it).

(g) **Dates of Calculations**

Notwithstanding that certain calculations or determinations under this Schedule 1 may be expressed to be "on" a certain date, the Issuer or the Calculation Agent may make such calculations or determinations in respect of that date on a date after that date.

(h) **Use of Estimates**

The Issuer or the Calculation Agent will make calculations and determinations under this Schedule 1 using the information, price sources or factors, whether official or estimated, as specified in this Schedule 1. However, should the Issuer or the

Calculation Agent not be able to obtain the necessary information or be able to use the specified price sources or factors, then, after using reasonable efforts and after applying all fallback provisions specified in the Conditions in relation to such calculation or determination, the Issuer or the Calculation Agent shall be permitted to use its estimate (arrived at in good faith) of the relevant information, price source or factor in making the relevant calculations or determinations should it determine that such estimate is reasonably necessary. If at any time the Issuer or the Calculation Agent is required to make any estimate in respect of any determination or calculation whilst redemptions are for the time suspended, the Issuer or the Calculation Agent may make such estimate as such amount as it in good faith believes to be the then market value, which may be zero.

PART B

ADDITIONAL DEFINITIONS

"Asset Adjustment Event" means, in respect to any Asset Component:

- (a) the Calculation Agent reasonably determines that although the Closing Value of an ETF has been published, such value is not accurate or that any transaction in respect of the basket of ETFs which is listed could not be transacted at such value or with a cash consideration in full, and to be received as regularly scheduled; or
- (b) the method of calculation the official Closing Value of an ETF, is changed, or an ETF is modified, in any other way.

"Asset Component" has the meaning set out in Schedule 3 (*Asset Components, Asset Rebalancing and Investment Restrictions*).

"Asset Substitution Event" means:

- (a) an ETF Substitution Event; or
- (b) the Asset does not comply with the Investment Restrictions; or
- (c) a Continuing Disruption Event.

"Basket Disruption Event" means any of the following events in respect of an Asset Component:

- (a) a failure, suspension or postponement in the reporting or publishing of the Closing Value in respect of an Asset Component which is an ETF, as regularly scheduled, taking into account the relevant cure period, or any event that prevents the Closing Value in respect of the relevant Asset Component so published from being received by the people to whom it is published, whereby such event is, in the determination of the Calculation Agent, material;
- (b) any circumstances where, although the Closing Value, in respect of an Asset Component which is an ETF, is published, the Calculation Agent reasonably determines that such value is not accurate or that any transaction in respect of the Asset Components could not be transacted at such value or with a cash consideration in full, and to be received as regularly scheduled;
- (c) the inability of a Hypothetical Investor, if holding the units of an Asset Component or other financial instrument as a hedge for the transaction, to liquidate the units of or investment in the Asset Component or other financial instrument when scheduled (including any change to the notice period to redemption or subscriptions, any gating, side-pocketing or other arrangement affecting the Hypothetical Investor).

"Calculation Business Day" means a day:

- (a) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London; and
- (b) which is an Exchange Business Day.

"Calculation Item" means any determination, estimation or calculation required to determine or derive any valuation of, the Redemption Amount or Early Payment Amount directly or indirectly.

"Cash Index Value" means:

- (a) in respect of the Initial Valuation Date, 100%; and
- (b) thereafter, an amount calculated using the following formula:

$$\text{Cash Index Value (t)} = \text{Cash Index Value (t - 1)} \times \left(1 + \text{Eonia } t - 1 \times \frac{\text{Dt-1,t}}{360} \right)$$

where:

"Eonia_t" means the overnight rate for deposits as displayed on Reuters page EONIA in respect of Valuation Day (t-1) if not so displayed, as otherwise determined by the Calculation Agent acting reasonably from prevailing swap market rates

"Dt-1,t" means the number of calendar days from (and including) the Valuation Day immediately preceding Valuation Day 't' to (but excluding) Valuation Day 't'

"Cash Index Value (t)" is the Cash Index Value in respect of Valuation Day (t).

"Closing Value" means in respect of an ETF, the official closing price published by the Exchange on which the ETF is listed, subject to adjustment pursuant to Part A of this Schedule 1. In respect of Cash, the Closing Value is the Cash Index Value in respect of Valuation "t".

"Continuing Disruption Event" means an Asset Disruption Event that exists and subsists as of the expiration of the fifth Valuation Day subsequent to the first Disrupted Valuation Day caused by such Asset Disruption Event.

"Defeasance Upside Participation" means, in respect of each Security, such Security's pro rata proportion of an amount in EUR equal to the prevailing fair market price as of the Defeasance Date which the Issuer would quote to a market participant for the repurchase of the Upside Participation on such date in a commercially reasonable manner, with a payment on the Maturity Date, based on factors, including but not limited to the realisable value of the Asset. Such amount will be calculated in the sole discretion of the Issuer acting in a commercially reasonable manner and shall take into account the impact of events relating to the Asset or the value of the Asset, including but not limited to any Asset Disruption Event, Asset Substitution Event or Asset Adjustment Event.

"Final Valuation Date" means 20 June 2019 or if such day is not a Calculation Business Day, the first Calculation Business Day following such day.

"Hedging Entity" means Credit Suisse International or any affiliate as counterparty to the Issuer's hedging arrangements in respect of the Securities.

"Hypothetical Investor" means a hypothetical investor in the Asset Components or any other security received as a distribution in respect of the Asset Components located in the Hypothetical Investor Jurisdiction and deemed to have the benefits and obligations, as provided under the relevant Fund Documents, of an investor holding as of any Valuation Day an amount of the Asset Components required to hedge the transaction.

"Hypothetical Investor Jurisdiction" means England.

"Initial Valuation Date" means 1 November 2013 or if such day is not a Calculation Business Day, the first Calculation Business Day following such day.

"Market Disruption Event" means any of the following events:

- (a) when the foreign exchange market or money market in U.S. dollars, EUR or currency of any Asset Component, is or are closed other than for ordinary public holidays or if trading thereupon is restricted or suspended and, in the reasonable determination of the Calculation Agent, this would have a material impact on the ability of the Calculation Agent to determine the value of the transaction accurately, in a timely manner or at all or to execute a hedge in respect of the transaction in any such market;
- (b) an event pursuant to which there is a breakdown in any means of communication normally used for the valuation by the Calculation Agent of all of or a substantial portion of the Asset Component or if the Fund Manager informs the Calculation Agent or if the Calculation Agent determines, at its own discretion, that the last reported net asset value, share price or level of the Asset Component should not be relied upon;

- (c) an event pursuant to which the Calculation Agent reasonably determines that a substantial number of transactions in relation to hedging the Securities would be rendered impracticable or if purchases and sales in respect of hedging a substantial portion of the Securities would not be capable of being effected;
- (d) a temporary or permanent failure by the Relevant Exchange or any relevant price source to announce or publish as regularly scheduled either (i) the Closing Value of an ETF, or (ii) the settlement price for any futures contract included in, or option contract related to, any component of an ETF (each such futures contract or option contract, a "**Relevant Contract**");
- (e) the suspension of a material limitation on trading in any Relevant Contract, on the Relevant Exchange for that Relevant Contract, including the situation where the settlement price for any futures contract included in an ETF is a "limit price", which means that the settlement price for such contract for a day has increased or decreased from the previous days' settlement price by the maximum amount permitted under the applicable exchange rules;
- (f) either (i) the failure of trading to commence, or the permanent discontinuance of trading, in any Relevant Contract on the Relevant Exchange, or (ii) the disappearance of, or of trading in, any Relevant Contract;
- (g) the occurrence since the Trade Date of a material change in the content, composition, or constitution of an ETF;
- (h) the occurrence since the Trade Date of a material change in the formula for or the method of calculating the Closing Value of an ETF; or
- (i) any other event pursuant to which the Calculation Agent reasonably determines to which the Calculation Agent that the value of the Securities cannot be promptly or accurately ascertained.

"Payment Business Day" means a day (a) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and (b) which is a TARGET Business Day.

"Potential ETF Substitution Event" means:

- (a) a Potential Adjustment Event with respect to an ETF Share;
- (b) an Extraordinary Event with respect to an ETF Share (where Extraordinary Event means a Merger Event, Tender Offer, Nationalisation or Delisting);
- (c) the average daily trading volume of an Asset Component which is an ETF declines below EUR 1,000,000;
- (d) the market capitalisation of an Asset Component which is an ETF declines below EUR 50,000,000;
- (e) the occurrence of a cross-contamination or other failure to segregate effectively assets between different classes, series or sub-funds of an Asset Component which is an ETF, and such event will or may continue, in the determination of the Calculation Agent, for the foreseeable future;
- (f) the Closing Value of an Asset Component which is an ETF is not calculated or published by the Exchange for five consecutive Scheduled Trading Days;
- (g) the Fund Administrator of an Asset Component which is an ETF suspends the subscription or redemption of shares of such ETF for five consecutive Scheduled Trading Days, or announces a suspension of unlimited duration for such subscription or redemption;

- (h) an Additional Disruption Event with respect to an ETF Share and the related Fund (namely a Fund Insolvency Event, Fund Modification, Regulatory Action or Strategy Breach) occurs;
- (i) an Additional Disruption Event being a Change in Law, Hedging Disruption, Increased Cost of Hedging, Insolvency Filing, Loss of Stock Borrow or Increased Cost of Stock Borrow occurs; or
- (j) the Exchange corrects a published Closing Value with respect to an Asset Component which is an ETF.

"Rebalancing Date" means the Initial Valuation Date, the Strike Date and any Valuation Day as designated and communicated to the Calculation Agent by the Rebalancing Entity at least 10 Calculation Business Days prior to such date in accordance with the "*Asset Rebalancing*" provision in Schedule 3.

"Rebalancing Entity" means Front Capital Oy.

"Relevant Exchange" means, in respect of any Relevant Contract relating to an ETF, any organised exchange or market of trading for such Relevant Contract (or any combination thereof).

"Service Provider" means in respect of an ETF, a person who is appointed to provide services, directly or indirectly, for that ETF, whether or not specified in the Fund Documents of such ETF.

"Strike Date" means 21 May 2014 or if such day is not a Calculation Business Day, the first Calculation Business Day following such day.

"Valuation Day" means each Calculation Business Day from (and including) the Initial Valuation Date to (and including) the Final Valuation Date.

SCHEDULE 2

UPSIDE PARTICIPATION

"Upside Participation" means, in respect of each Security, such Security's pro rata proportion of an amount in EUR equal to the Original Principal Amount of the Securities multiplied by:

$$\text{Participation} \times \text{Max} \left[0, \frac{\text{Reference Portfolio Value (Average)}}{\text{Reference Portfolio Value (Strike)}} - \text{Strike} \right]$$

where:

"Max" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

"Participation" means 100%.

"Reference Portfolio Value (Strike)" means the Reference Portfolio Value in respect of the Strike Date.

"Reference Portfolio Value (Average)" means the arithmetic average of the Reference Portfolio Value in respect of each of the Observation Dates.

"Observation Dates" means each of the dates in the table below, provided that where such date is not a Valuation Day, it shall be the first Valuation Day following such date.

20 June 2018
20 September 2018
20 December 2018
20 March 2019
20 June 2019

"Original Principal Amount" means the Aggregate Nominal Amount of the Securities as at the Issue Date.

"Strike" means 100%.

"Reference Portfolio Value" means:

- (a) in respect of the Strike Date, 100%; and
- (b) in respect of any date thereafter, the "Reference Portfolio Value (t)" for each Valuation Day (t) determined as follows:
 - (i) if W_{t-1} is less than or equal to 100%:

Reference Portfolio Value (t) = Reference Portfolio Value (t - 1)

$$\times \left[W_{t-1} \times \frac{\text{Asset Value}_t}{\text{Asset Value}_{t-1}} + (1 - W_{t-1}) - \text{TCA}_t \right]$$

- (ii) if W_{t-1} is greater than 100%:

Reference Portfolio Value (t) = Reference Portfolio Value (t - 1)

$$\times \left[W_{t-1} \times \frac{\text{Asset Value}_t}{\text{Asset Value}_{t-1}} + (1 - W_{t-1}) \times \left(1 + (3\text{M Euribor}_{t-1} + \text{Spread}) \times \frac{n_t}{360} \right) - \text{TCA}_t \right]$$

where:

"3M Euribor_{t-1}" means the rate for deposits of three months in EUR displayed on Reuters page EURIBOR01 on Valuation Day (t-1) or, if not so displayed, as otherwise determined by the Calculation Agent from prevailing swap market rates.

"**Asset Value (t)**" means the Asset Value in respect of Valuation Day (t).

"**Asset Value_{t-1}**" means the Asset Value in respect of Valuation Day (t-1).

"**Asset Value**" means in respect of each Valuation Day (t) following (but excluding) the Initial Valuation Date, an amount determined in accordance with the following formula:

$$\text{Asset Value}_t = \text{Asset Value}_{t_{rb}} \times \left[\sum_{k=1}^n \left(\frac{\text{Asset Component}_i^t}{\text{Asset Component}_i^{t_{rb}}} \times \text{ACW}_i^{t_{rb}} \right) - \text{RC}_{t_{rb}} \right]$$

Where

- t_{rb} = The Rebalancing Date immediately preceding Valuation (t)
- $\text{Asset Value}_{t_{rb}}$ = The Asset Value in respect of Valuation Day t_{rb} . In respect of the Initial Valuation Date such value is equal to 100%
- N = The number of Asset Components comprising the Asset in respect of t_{rb}
- $\text{Asset Component}_i^t$ = The Closing Value of Asset Component in respect of Valuation Day (t)
- $\text{ACW}_i^{t_{rb}}$ = Is the Asset Component Weight in respect of t_{rb}
- i = Each of the Asset Components comprising the Asset
- $\text{RC}_{t_{rb}}$ = Rebalancing Cost in respect of t_{rb}

where:

"**Rebalancing Cost**" means in respect of any Valuation Day (t) following (and including) the Strike Date which is not a Rebalancing Date, Rebalancing Cost shall be equal to 0.

In respect of each Valuation Day (t) from (and excluding) the Strike Date which is a Rebalancing Date, Rebalancing Cost is determined in accordance with the following formula

$$\text{RC}_t = \sum_{k=1}^n \text{TG} \times \left| \text{ACW}_i^t - \text{EACW}_i^t \right|$$

Where

"**RC_t**" means the Rebalancing Cost in respect of Valuation Day (t)

"**ACW_i^t**" means the Asset Component Weight in respect of Valuation Day (t).

"**Asset Component Weight**" means in respect of the Initial Valuation Date and Strike Date, ACW_i as defined for each Asset Component in the table set out in Schedule 3 (*Asset Components, Asset Rebalancing and Investment Restrictions*).

Thereafter:

Where Valuation Date (t) is a Rebalancing Date, ACW_i^t shall be the weight specified by the Rebalancing Entity for Asset Component i in respect of such Rebalancing Date

Otherwise, $ACW_i^t = ACW_i^{t-1}$

" n_t " means the number of calendar days from and including Valuation Day (t-1) to but excluding Valuation Day (t).

"**Reference Portfolio Value (t-1)**" means the Reference Portfolio Value in respect of Valuation Day (t-1).

"**Spread**" means 1.25%.

"**TCA_t**" means the Transaction Cost Adjustment in respect of Valuation Day (t).

" W_{t-1} " means the Asset Weight in respect of Valuation Day (t-1).

"**Valuation Day (t-1)**" means the Valuation Day immediately preceding Valuation Day (t).

where:

"**Asset Weight**" means:

- (a) in respect of the Strike Date, the Target Exposure in respect of the Strike Date; and
- (b) thereafter, "**Asset Weight_t**" for each Valuation Day (t) will be determined as follows:

- (i) if:

- (A) $Asset\ Weight_{(t-1)} > (Target\ Exposure_t + Deleverage\ Band)$; or

- (B) $Asset\ Weight_{(t-1)} < (Target\ Exposure_t - Leverage\ Band)$,

then, $Asset\ Weight_t$ will be $Target\ Exposure_t$; or

- (ii) otherwise, $Asset\ Weight_t$ will be $Asset\ Weight_{t-1}$.

where:

"**Asset Weight_t**" is the Asset Weight in respect of Valuation Day (t).

"**Asset Weight_(t-1)**" is the Asset Weight in respect of Valuation Day (t-1).

"**Deleverage Band**" means 5%.

"**Leverage Band**" means 5%.

"**Target Exposure_t**" is the Target Exposure in respect of Valuation Day (t).

"**Target Exposure**" means, in respect of any Valuation Day (t) from (and including) the Strike Date, the target exposure of the Reference Portfolio to the Asset determined as follows:

$$Target\ Exposure\ (t) = \text{Min} \left[Cap, \frac{Target\ Volatility}{Vol\ (t - Lag)} \right]$$

Where:

"**Reference Portfolio**" is as defined in Schedule 4 (*Other Risk Factors*)

"Cap" means 150%.

"Lag" means 1.

"Min" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

"Target Volatility" means 13%.

"Vol" means, in respect of any Valuation Day (t) from (and including) one Valuation Day prior to the Strike Date, "Vol (t)" which is determined as follows:

Vol (t) = Max (Vol a (t) , Vol b (t))

$$\text{Vol a (t)} = \sqrt{\frac{252}{a} \times \sum_{k=1}^a \ln \left(\frac{\text{Asset Value}_{t-k+1}}{\text{Asset Value}_{t-k}} \right)^2}$$

$$\text{Vol b (t)} = \sqrt{\frac{252}{b} \times \sum_{k=1}^b \ln \left(\frac{\text{Asset Value}_{t-k+1}}{\text{Asset Value}_{t-k}} \right)^2}$$

Where:

"a"= 21.

"b"= 84.

"Transaction Cost Adjustment" means in respect of each Valuation Day (t) from (and excluding) the Strike Date, as determined in accordance with the following formula:

$$\text{TCA}_t = \text{Abs} |W_t - W_{t-1}| \times \sum_{i=1}^n (\text{EACW}_i^t \times \text{TC}_i)$$

Where

„Abs |W_t - W_{t-1}|" means the absolute value of W_t - W_{t-1}

"TC_i" means the Transaction Cost for Asset Component (i), as set out in the table in Schedule 3 and may be adjusted by the Calculation Agent from time to time, acting in a fair and commercially reasonable manner;

„ EACW_i^t „ means the Effective Asset Component Weight for Asset Component (i) in respect of Valuation Day (t).

where

"Effective Asset Component" means in respect of the Strike Date, the Effective Asset Component Weight for each Asset Component (i), where I = 1...n, shall be equal to the relevant Asset Component Weight as set out in the table in Schedule 3 (*Asset Components, Asset Rebalancing and Investment Restrictions*).

In respect of any Valuation Day (t) following (but excluding) the Strike Date, Effective Asset Component Weight shall be determined in accordance with the following formula:

$$\begin{aligned}
 EACW_i^t = & \\
 & \frac{ACW_i^{trb}}{\sum_{k=1}^n \frac{\text{Asset Component}_k^t}{\text{Asset Component}_k^{trb}} \times ACW_k^{trb}} \\
 & \times \frac{\text{Asset Component}_i^t}{\text{Asset Component}_i^{trb}}
 \end{aligned}$$

SCHEDULE 3

ASSET COMPONENTS, ASSET REBALANCING AND INVESTMENT RESTRICTIONS

1. Asset Components

The Asset is comprised of a basket of ETFs (each an "Asset Component"), having on the Initial Valuation Date and the Strike Date, the weights applied to each Asset Component, as set out in the following table:

	Asset Component	ISIN	Bloomberg	CCY	ACW_i^0	Component Designation	TC_i
1	ISHARES S&P 500 Acc	DE000A0YBR61	EUNP GY	EUR	10.90%	Equity	0.10%
2	iShares MSCI Japan fund, Acc	DE000A0YBR53	EUNN GY	EUR	5.34%	Equity	0.20%
3	ISHARES STOXX 600 DE	DE0002635307	SSPIEX GY	EUR	4.50%	Equity	0.10%
4	AMUNDI ETF MS NOR	FR0010655738	CN1GR GY	EUR	3.11%	Equity	0.15%
5	DB X-TRACKERS DAX	LU0274211480	XDAX GY	EUR	1.28%	Equity	0.10%
6	DB X-TRACKERS S&P/ASX 200	LU0328474803	XAUS GY	EUR	2.81%	Equity	0.20%
7	iShares MSCI Canada	DE000A1C2Y86	IBC5 GY	EUR	2.67%	Equity	0.25%
8	db x-trackers MSCI World Inds Index UCITS ETF	LU0540981387	DBPX GY	EUR	4.06%	Equity	0.40%
9	db x-trackers MSCI World Health Care Index ETF	LU0540980223	DBPS GY	EUR	5.65%	Equity	0.40%
10	db x-trackers MSCI World Inform. Tech. Index ETF	LU0540980496	DBPT GY	EUR	6.07%	Equity	0.40%
11	iShares FTSE 100 UCITS ETF (acc) SXRW	IE00B53HP851	SXRW GY	EUR	2.53%	Equity	0.25%
12	OMX HELSINKI 25 EXCH TR FUND	FI0008805627	H25ETF FH	EUR	1.08%	Equity	0.30%
13	ISHARES MARKIT IBOXX EUR H/Y	DE000A1C8QT0	EUNW GY	EUR	14.57%	Fixed Income	0.15%
14	ISHARES BG EURO CORP BOND	DE000A0RM454	EYN5 GY	EUR	22.52%	Fixed Income	0.08%
15	ISHARES BG EU GOV BOND 1-3	DE000A0J21A7	IBCA GY	EUR	1.57%	Fixed Income	0.05%
16	db x II iBoxx € Sov. Euroz. Yield Plus ETF	LU0524480265	XY4P GY	EUR	5.14%	Fixed Income	0.20%
17	db x-trackers iBoxx Sovereign Eurozone 10-15 TR	LU029057333	X10 GY	EUR	4.12%	Fixed Income	0.20%
18	Cash	-		EUR	2.05%		

2. Asset Rebalancing

The Rebalancing Entity may rebalance the weights of the Asset Component by designating a Rebalancing Date and communicating revised weights to the Calculation Agent. All rebalancing must result in the Asset satisfying the Investment Restrictions set out in paragraph 3 below. Unless otherwise agreed by the Calculation Agent, the Rebalancing Entity may only designate a maximum of eight Rebalancing Dates per calendar year (excluding the Strike Date).

3. Investment Restrictions

Equity Bucket Parameters	Max as % of Equity Bucket
Europe	50%
North America	65%
Other regions	25%
USA	60%
Any other country	30%
Single sector/industry	25%

Fixed Income Bucket Parameters	Max as % of Fixed Income Bucket
Europe	100%
North America	100%
Other regions	30%
USA	45%
Any other country	30%
Single sector/industry	40%

Basket Parameters	Max	Min
Equity Bucket	70%	30%
Fixed Income Bucket	70%	30%
Swap based ETFs	40%	
Single issuer swap based ETFs	25%	
Number of ETFs	20	5
Concentration in any single ETF	25%	
Bid/offer spread of no greater than 0.20%		80
Bid/offer spread of no greater than 0.50%		100%

SCHEDULE 4

OTHER RISK FACTORS

This Schedule should be read in conjunction with the "Risk Factors" in the Programme Memorandum and the "Additional Risk Factors" in the Product Supplement for Credit-linked Securities. References to "Reference Fund" in the "Risk Factors" in the Programme Memorandum, including without limitation, risk factor 6(f) (Risks associated with Reference Funds) shall be construed as the Asset.

Potential for Discretionary Determinations by the Issuer or the Calculation Agent under the Securities

Under the terms and conditions of the Securities, following the occurrence of certain events outside of its control, the Issuer or the Calculation Agent (as the case may be) may determine in its discretion to take one of the actions available to it in order to deal with the impact of such event on the Securities or the Issuer and/or the Hedging Entity, or both. It is possible that any such discretionary determination by the Issuer or the Calculation Agent could have a material adverse impact on the value of the Securities.

There are two key broad types of external events which could trigger a discretionary determination to be made by the Issuer or the Calculation Agent: (a) external events affecting the Asset or an Asset Component and (b) external events affecting the Issuer's and/or the Hedging Entity's hedging arrangements. However, investors should note that, under the terms and conditions of the Securities, there are other types of events which might trigger a discretionary determination by the Issuer. For example, if the Issuer's obligations under the Securities or its related hedging arrangements become or will become illegal, the Issuer may early redeem the Securities.

- (a) External events which affect the Asset: The fundamental investment objective of the Securities is to allow an investor to gain an economic exposure to the Asset. If an Asset Component is materially impacted by an unexpected event – for example, the investment objectives, strategies, restrictions and requirements of an Asset are materially modified or there is a sub-division, consolidation, reclassification, a distribution or dividend of the shares or units in an Asset Component – then it may not be possible to achieve the investment objective of the Securities based on the original terms and conditions of the Securities. There are many different external events that may impact an Asset Component.
- (b) External events which affect the Issuer's or the Hedging Entity's hedging arrangements: The Issuer and/or the Hedging Entity will enter into hedging arrangements in order to manage the Issuer's exposure in relation to its payment obligations under the Securities and to enable it to issue the Securities at the relevant price and on the relevant terms. As the amount(s) payable by the Issuer under the Securities will depend on the performance of the Asset, the hedging arrangements may comprise holding Asset Components directly, entering into derivative contracts with counterparties to receive a corresponding economic exposure to Asset Components or to hedge the currency or price risk in relation to the Asset or the Securities. Accordingly, if an external event occurs which negatively impacts the Issuer's or the Hedging Entity's hedging arrangements, or if there is a material change in any fee arrangement that is in place on the Trade Date between the Hedging Entity and an Asset Component or the relevant Fund Manager, the Issuer has available to it options which it may select in its discretion in order to deal with the impact of such event.

Broadly, depending on the terms and conditions of the particular Securities, the Issuer or the Calculation Agent (as the case may be) may in its discretion determine that one of the following options shall apply following the occurrence of an external event described above:

- (a) Adjustments to the terms and conditions of the Securities: The Issuer may adjust the terms and conditions of the Securities (including any amount payable) to account for the economic effect of the external event on the Securities. This could result in a reduced return on the Securities than would otherwise be received.
- (b) Substitutions of Asset Components: Following an "Asset Substitution Event" in relation to the Asset or an Asset Component, the Issuer may substitute the original Asset Components with one or more replacement funds satisfying the relevant criteria set out in the terms and

conditions. The Issuer may also make adjustments to the terms and conditions to account for the economic effect of the "Asset Substitution Event" and/or replacement of the original Asset. Any such substitution and potential adjustment could have a material adverse impact on the value of the Securities.

- (c) Calculation of Redemption Amount by reference to the Defeasance Upside Participation: Following an "Asset Substitution Event", the Redemption Amount payable may be calculated by reference to the Defeasance Upside Participation instead of the Upside Participation. The Defeasance Upside Participation is likely to be less than the Upside Participation.

The Issuer or the Calculation Agent (as the case may be) will make any discretionary determinations strictly in accordance with the terms of the applicable provisions set out in the terms and conditions of the Securities. In considering whether and how to make such a discretionary determination, the Issuer or the Calculation Agent (as the case may be) shall act in good faith and in a commercially reasonable manner. Further, the Issuer or the Calculation Agent (as the case may be) will ensure that any such determination is made by it in compliance with its applicable regulatory obligations, including that of achieving fair treatment for Securityholders. Any such determinations will be notified to Securityholders.

See risk factors below and risk factor 3(f) (*The Securities may be redeemed prior to their scheduled maturity*) in the "Risk Factors" in the Programme Memorandum for more information.

Consequences of Asset Adjustment Events

Following the occurrence of an Asset Adjustment Event, the Calculation Agent has discretion to make adjustments to the Reference Portfolio Value, the Redemption Amount and any other determination, estimation or calculation used to calculate such amount (which may have retrospective effect), to transfer risks from the Hedging Entity to Securityholders to reflect such Asset Adjustment Event. These actions could have an adverse effect on the value of the Securities and may reduce the amount that would otherwise be payable under the Securities.

Consequences of Asset Disruption Events

Following the occurrence of an Asset Disruption Event, the Calculation Agent has discretion to (i) make any calculation, determination or adjustment of any variable in respect of the Securities and make any payment, using an estimate of such variable, or (ii) not make any payment or calculation in respect of the Disrupted Valuation Day and such Disrupted Valuation Day shall be postponed until such Asset Disruption Event has ceased. These actions could have an adverse effect on the value of the Securities and may reduce the amount that would otherwise be payable under the Securities.

Consequences of Asset Substitution Events

Following the occurrence of an Asset Substitution Event, the Calculation Agent may (i) waive the Asset Substitution Event, (ii) substitute (including with retrospective effect) such affected Asset with one or more funds, (iii) calculate the Redemption Amount payable on the Maturity Date by reference to the Defeasance Upside Participation instead of the Upside Participation, and/or (iv) make adjustments to the terms and conditions of the Securities. These actions could have an adverse effect on the value of the Securities.

The Defeasance Upside Participation (which may be greater than zero or zero) will be determined by the Issuer in its sole discretion acting in a commercially reasonable manner and is to be based on, inter alia, a realisable value of the Asset, and is likely to be less than the Upside Participation. The Issuer shall take into account the impact of events relating to the Asset or the value of the Asset, including but not limited to any Asset Disruption Event, Asset Substitution Event or Asset Adjustment Event. These actions could have an adverse effect on the value of the Securities.

Volatility Target Mechanism

Investors should note that the volatility target mechanism (the "**Volatility Target**" or the "**Mechanism**") determines the proportion of the exposure of the underlying to which the Redemption Amount is linked (the "**Reference Portfolio**") that is allocated to the Asset. The

proportion of the Reference Portfolio which is allocated to the Asset may be more or less than 100 per cent. Therefore an investment in the Securities is not equivalent to an investment into securities which are linked solely to the performance of the Asset without the application of the Mechanism or a direct investment into the Asset. Specifically, investors should note that:

- Should positive performance of the Asset coincide with a period of high volatility of the Asset, the underlying Reference Portfolio may be less than 100% notionally exposed to the Asset in rising markets, which may result in relative underperformance of the Reference Portfolio as compared to the Asset.
- The Reference Portfolio will underperform the Asset where the Reference Portfolio is 100% allocated to the Asset, due to the Fee that is being deducted from the performance of the Reference Portfolio.
- The Volatility Target mechanism does not prevent negative performance of the Reference Portfolio. If the Asset performs negatively and the volatility of the Asset remains below the target level, the Mechanism may result in the Reference Portfolio having exposure of up to 125% to the negatively performing Asset, which will cause the Securities to perform worse than a direct investment in the Asset.
- As the Volatility Target is based on the historical volatility over a certain period, it is not certain that the volatility of the Reference Portfolio is equal to the targeted volatility.
- Due to the time lag in rebalancing the Reference Portfolio in order to meet the allocation determined by the Mechanism, the volatility of the Reference Portfolio may not meet the target volatility.
- The Reference Portfolio may be notionally exposed to the Asset by up to 150% should the volatility be lower than the Target Volatility, thereby employing leverage for which a leverage charge (the "**Leverage Charge**") is applied (which includes a floating rate and a Spread). Investors should be aware that this may result in relative underperformance of the Reference Portfolio as compared to the Asset, where either (a) the performance of the Asset is negative or (b) the performance of the Asset is lower than the Leverage Charge.
- Investors may lose all or part of their initial investment on the Maturity Date or on an early redemption.
- Calculating the Upside Participation based on the Reference Portfolio Value (Average) (which is the average of the Reference Portfolio Values over the Observation Dates) may result in a lower value than calculating it based on the Reference Portfolio Value in respect of the Final Valuation Date.

Investors that do not have knowledge and experience of Volatility Targets acquired through a previous investment should receive advice before making an investment decision. All of the above factors may result in the underperformance of the Securities or in some cases a loss of the investment in the Securities.

SCHEDULE 5

ECONOMIC PROPOSITION

This Schedule should be read in conjunction with the "Risk Factors" in the Programme Memorandum, the "Additional Risk Factors" in the Product Supplement for Credit-linked Securities and the "Other risk Factors" in the Pricing Supplement. References to "Reference Fund" in the "Risk Factors" in the Programme Memorandum, including without limitation, risk factor 6(f) (Risks associated with Reference Funds) shall be construed as the Asset.

The product is provided to investors on the following basis:

- The Securities through their terms provide investors in the Securities with risks (among others) which are comparable to the risks to which a direct investor in the Asset is exposed. Asset Substitution Events, Asset Disruption Events and Asset Adjustment Events (collectively, the "**Asset Events**") have been included in the terms of the Securities which are designed to ensure that all risks relating to the Asset are transferred to investors in the Securities;
- That the Hedging Entity is able to fully and continuously hedge the payment obligations of the Issuer under the Securities throughout the life of the Securities up until the Maturity Date in amounts and frequencies which are set out in the Asset Events. The hedging activity of the Hedging Entity involves the Hedging Entity needing the ability to subscribe and redeem Asset Components in the Asset regularly throughout the life of the Securities to ensure that at any time the Issuer's obligations under the Securities can be matched by the Hedging Entity's holdings of the Asset Components. The subscription and redemption process and timing is under the control of the Asset Components and could be changed. If changes to this process and timing are made this may affect the Hedging Entity's ability to hedge the Issuer's obligations under the Securities and associated cost to the Issuer. As a result of this, Asset Events have been included in the terms of the Securities which have the effect of transferring the risk from the Hedging Entity in its activities in hedging the Issuer's obligations under the Securities, to the Securityholders, if changes to the liquidity of the Asset Components occur, including changes to the subscription and redemption frequency, timing and amounts;
- That each Asset Component's key characteristics remain the same throughout the life of the trade as at the Trade Date, such characteristics including the investment objectives, the investment strategy, the Asset Component's legal structure and its accounting currency. Certain Asset Events have been included in the terms and conditions of the Securities, which have the effect of transferring any adverse financial impact in relation to a change in any of these characteristics from the Issuer to the Securityholder;
- That the Asset Components do not become involved with any material litigation, arbitration, investigation, proceeding or regulatory or governmental action in relation to the activities of the Asset Component or any of its Service Providers or any loss of an applicable licence or regulatory authorisation applying to the Asset Component or any Service Provider throughout the life of the Securities. These events, although they may not affect the ability of the Hedging Entity to subscribe and redeem interests in the Asset Component, may affect the ability of the Hedging Entity to hold the Asset Component or be indicative of potential issues with the ability of the Hedging Entity to hedge the Securities as described above and/or give rise to increased risk for the Hedging Entity in such hedging activity. Certain Asset Events have been included in the product, which have the effect of transferring the risks of the Hedging Entity relating to these events to investors in the Securities; and
- The Investment Restrictions and Asset Events have been included in the Securities as part of the risk management requirements of the Hedging Entity in relation to its hedging activities for the Securities. The Asset Events may therefore be operated by the Hedging Entity to its benefit to help in managing these risks, which may result in risks associated with these events being transferred to Securityholders in order for the Hedging Entity to meet these requirements. There is no obligation on the Issuer or the Calculation Agent to monitor compliance of the Asset with the Investment Restrictions, nor to monitor whether an Asset Event has occurred. The Issuer and Calculation Agent shall therefore not be liable to

any party or person for the Asset not meeting the Investment Restrictions at any time or triggering an Asset Event at any time or, except as stated in the conditions of the Securities, for the timing of its determination of the occurrence of Asset Events or the timing of determinations related to Investment Restrictions or any action or inaction by it or them under the terms of the Securities.

