

Information Brochure on Lombard Loans

The Bank's contracts on Lombard loans contain a transferability clause (hereinafter referred to as the *clause*). The meaning of this clause is explained in this Information Brochure.

Key points:

- The clause allows the Bank to transfer, assign or pledge Lombard loans together with the collateral to third parties. The purpose of such transactions includes obtaining liquidity for the Bank or reducing the Bank's credit exposure. Such transfers are restricted to third parties in Switzerland.
- The clause also allows the Bank to reduce its credit risk by using instruments such as credit insurance, sub-participations by third parties or financial derivatives. These are common instruments banks use for general hedging purposes.
- The Lombard credit agreement itself will not be transferred and will remain with the Bank. Consequently, the Lombard credit agreement may not be changed or terminated by any third party.
- All interest and principal payments must be made to the Bank, as long as the Borrower has not been notified of a transfer, assignment or pledge of a Lombard loan to a third party.
- All Lombard loan related requests of the client continue to be handled by the Bank as long as the Bank manages the Lombard loans.
- The clause authorizes the Bank to disclose client-identifying information to third parties for the purpose of arranging transactions such as those described above. The Bank discloses this information only on a need-to-know basis to the extent required for a particular transaction and only to third parties in Switzerland. All parties receiving client-identifying information will be required to agree to confidentiality obligations and will be subject to applicable Swiss data protection laws and regulations.
- By accepting the clause, the Borrower, the Third-Party Pledgor and other collateral providers waive their right of set-off against the Bank. This means that they cannot validly discharge their obligations by way of set off – for instance, by setting off Lombard loans against any account balances they have with the Bank. Instead, they must pay back the Lombard loans.
- In the event of enforcement, the third parties to whom Lombard loans have been transferred, assigned or pledged and corresponding collateral has been transferred may realize collateral independently.

- For the sake of simplicity, the term *Lombard loan* is used in this Information Brochure for Lombard loans and any other existing and future rights and claims arising from the credit relationship.

What do the transferability provision and credit risk hedging provision mean for the Borrower, any Third-Party Pledgor and other collateral provider, and what is their purpose?

What is stipulated in the transferability provision?

Under the transferability provision, the Borrower, the Third-Party Pledgor and any other collateral provider authorize the following:

- The Bank may transfer, assign, or pledge Lombard loans – with, without, or with only part of the collateral (or collateral agreements) and ancillary rights – in whole or in part to one or more third parties in Switzerland.
- These third-party transferees may further transfer, assign, or pledge the Lombard loans to other third parties in Switzerland

(such transferees and other third parties are hereinafter referred to as *Third-Party Transferees*).

In this case, Third-Party Transferees will take the place of the Bank as creditors of the transferred claims and as beneficiary of the transferred collateral to the extent of such transfer.

To transfer the collateral in the pledged intermediated securities held in securities accounts of the Borrower or any Third-Party Pledgor, as applicable, to Third-Party Transferees, the transferability provision includes an irrevocable consent of the Borrower and the Third-Party Pledgor that each Third-Party Transferee has a right of instruction pursuant to Article 25 of the Federal Act on Intermediated Securities vis-à-vis the Bank as custodian. This means that the Bank must carry out instructions by any Third-Party Transferee with regard to these intermediated securities without any further consent or cooperation on the part of the Borrower or Third-Party Pledgor.

To whom can loans be transferred?

Examples of Third-Party Transferees are companies founded for this purpose (special purpose entity), banks, insurance companies, funds or fund management companies, institutional investors and other investors in Switzerland.

What is the purpose of the transferability provision?

Transferring, assigning, or pledging the Lombard loans enables the Bank in particular:

- To obtain financial resources and develop sources of refinancing.

- To reduce its credit exposure.
- To hedge its credit risk and thereby protect itself from losses in its lending business.

The transfer, assignment, or pledge of Lombard loans can also be used as a tool for the Bank's contingency planning for an emergency so that it can access funding during a crisis.

How are financial resources procured?

Financial resources can be procured, for example:

- By means of *securitization*: In the case of securitization and similar transactions, a company established for this purpose (special purpose entity) or another third party (a fund management company, for example) raises funds from investors by issuing bonds or other investment products to investors and uses these funds to finance the direct or indirect acquisition of Lombard loans from the Bank. In these cases, Lombard loans are transferred, assigned, or pledged and thereby serve to directly or indirectly cover investor claims.
- By *selling* Lombard loans: Lombard loans sold to Third-Party Transferees are transferred to the respective Third-Party Transferee.
- By using Lombard loans as *collateral for covered bonds or other investment products* of the Bank: In this case, the Bank issues covered bonds or other investment products to obtain funding from investors. For the purpose of direct or indirect coverage of the claims of the investors against the Bank, Lombard loans may be transferred to a company founded for this purpose (special purpose entity) or used otherwise as collateral for the benefit of these investors.

How is credit risk insured or hedged?

The insurance or hedging of credit risk is carried out, for example, by the Bank:

- Concluding an insurance contract with an insurance company to cover credit default risk.
- Giving third parties who obtain refinancing by issuing bonds or other investment products a share in the risks and performance of the Lombard loans (for example through a so-called sub-participation).
- Entering into financial derivatives or other transactions with third parties that trigger a payment obligation on part of the counterparty upon the fulfillment of certain events relating to Lombard loans (such as default of the Borrower).

Claims of the Bank's counterparties in such insurance or hedging transactions can be covered directly or indirectly by Lombard loans.

What is the significance for the legal relationship between the Bank or the Third-Party Transferees and the Borrower in respect of Lombard loans?

If the Bank assigns some or all Lombard loans under the credit relationship to a Third-Party Transferee, this Third-Party Transferee replaces the Bank as the creditor of the Lombard loans. In addition, ancillary rights and other rights (such as the

right to early termination under the credit contract) may also be transferred by the Bank to the Third-Party Transferees. In this case, the Third-Party Transferee can assert transferred ancillary rights directly against the Borrower.

In the event that Lombard loans are pledged to a Third-Party Transferee, the Third-Party Transferee will become the pledgee of these pledged Lombard loans.

The Bank has no obligation to notify the Borrower, Third-Party Pledgor or other collateral provider of any transfer, assignment, or pledge. As long as the Bank continues to manage the Lombard loans, the transfer, assignment or pledge does not result in any changes to the contact person of the Borrower, Third-Party Pledgor or other collateral provider at the Bank. In this case, the Bank is entitled to act on behalf of and as the representative of the relevant Third-Party Transferee. Therefore, with regard to credit management, the Bank may no longer be free to make decisions within the scope of the management of the Lombard loans and may be obligated to represent the interests of the Third-Party Transferee.

In all cases, the Third-Party Transferees remain bound by the provisions of the credit agreement between the Bank and the Borrower.

What is the significance for the legal relationship between the Bank or the Third-Party Transferee and the Borrower in relation to the collateral?

In the event of a transfer, assignment or pledge of Lombard loans to Third-Party Transferees, collateral provided by the Borrower, a Third-Party Pledgor or any other collateral provider may pass by operation of law or may be transferred by the Bank to Third-Party Transferees. Agreements between the Bank and the Third-Party Transferees with regard to the allocation of the collateral remain reserved.

The Third-Party Transferees can assert the transferred rights under the pledge and other collateral (such as any realization and other enforcement actions) against the Borrower, a Third-Party Pledgor and any other collateral providers, as applicable. The transferred collateral may continue to be held in custody with the Bank. In this case, the Bank will hold it on behalf of the relevant Third-Party Transferee, for whom it may perform legal acts as a representative.

In the event that the pledge over the intermediated securities securing the Lombard loan is transferred to Third-Party Transferees, the relevant intermediated securities will remain in the respective securities accounts of the Borrower or Third-Party Pledgor, as applicable, with the Bank as custodian. For the purpose of transferring the pledge, the Borrower and Third-Party Pledgor, as holders of the respective securities accounts, irrevocably agree that each Third-Party Transferee has a right of instruction as defined by Article 25 of the Federal Act on Intermediated Securities vis-à-vis the Bank as custodian. This right of instruction may pertain to all intermediated securities or a certain proportion of the value of the intermediated securities in the relevant securities accounts. This means that the Bank as custodian must carry out instructions given by any Third-Party Transferee with respect to the intermediated securities on those securities accounts without any further consent or

cooperation on the part of the Borrower and/or Third-Party Pledgor (as applicable), as securities account holder.

This means for the Borrower and Third-Party Pledgor that any Third-Party Transferee can access the relevant securities account for any realization or other enforcement actions (such as by removing the intermediated securities from the securities account). This enables Third-Party Transferees to realize the transferred collateral in the pledged intermediated securities in order to cover transferred Lombard loans, either directly or by a representative, including the Bank.

In all cases, the Third-Party Transferees remain bound by the provisions of the relevant collateral agreement and the Third-Party Transferee may become a party to the relevant collateral agreement by replacing the Bank or acceding as an additional party thereto.

Significance of further transfer by Third-Party Transferees

If Third-Party Transferees exercise their right to further transfer, assign, or pledge the Lombard loans, the creditor of the Lombard loans may change again, and the collateral may be further transferred.

Significance with regard to interest and principal payments

All interest and principal payments must be made to the Bank, as long as the Borrower has not been notified of a transfer, assignment or pledge of a Lombard loan to a Third-Party Transferee. After such notification, the Borrower must follow the instructions of the Third-Party Transferee in order to validly discharge its payment obligations.

Significance in the case of a partial assignment or pledge of some credit claims under a credit contract

In the event of a partial transfer, assignment or pledge of the Lombard loans, the Bank remains the lender and creditor of the Lombard loans that were not so transferred, assigned or pledged.

The Bank and the Third-Party Transferees can have different interests with regard to management and repayment of the Lombard loans and take realization or other enforcement actions independently of each other. Neither the Bank nor the Third-Party Transferees are obliged to coordinate their actions.

In the event of a partial transfer, assignment or pledge of Lombard loans, the collateral provided for the Lombard loan may be unevenly allocated. This can mean that collateral originally provided to the Bank is no longer available to cover or repay all Lombard loans that remain with the Bank but is instead provided in whole or in part for the benefit of the Lombard loans transferred, assigned or pledged to a Third-Party Transferee.

Significance in the case of the transfer of Lombard loans without the corresponding collateral

If, in the context of a transfer of Lombard loans to Third-Party Transferees, the corresponding collateral is not transferred in full, the collateral that was not transferred will not be available

to cover or repay the transferred Lombard loans in the event of realization or other enforcement by the Third-Party Transferees.

The provisions regarding termination also apply to third parties

The credit agreement concluded between the Bank and the Borrower governs any termination rights. Accordingly, the Third-Party Transferees are also bound by the termination provisions in the credit agreement between the Bank and the Borrower.

Release of collateral to the Borrower, the Third-Party Pledgor or other collateral provider

Any collateral transferred to Third-Party Transferees must be released to the Borrower, the Third-Party Pledgor or other collateral provider, as applicable, if there are no current or future claims that are secured by this collateral.

What does the waiver of banking secrecy, and other confidentiality obligations and data privacy obligations of the Bank mean for the Borrower, the Third-Party Pledgor and other collateral provider?

Disclosure of information by the Bank

The clause contains the release of the Bank and Third-Party Transferees from banking secrecy and other confidentiality obligations. As a result, when the Bank arranges, concludes, and executes transactions that require a transfer, assignment, or pledge of Lombard loans (for the purposes as described in "What is the purpose of the transferability provision?" above in transactions such as the transactions described above in "How are financial resources procured?" above) it is authorized to disclose all information and data related to the credit relationship. This includes client-identifying information such as the name of the Borrower, the name of the Third-Party Pledgor or other collateral provider, the credit amount, the type of credit and the collateral, credit and collateral agreements, information about the Borrower's financial situation, and other information collected as part of the lending and/or credit management process, as well as other third parties associated with the Borrower, Third-Party Pledgor or other collateral provider (such as beneficial owners, agents or advisors). The recipients of this information and documents can be the Third-Party Transferee to whom the loans or collateral is being transferred, assigned, or pledged, as well as other parties (such as ratings agencies, trust companies, asset managers, and custodian banks of funds) that are directly or indirectly involved in the transfer, assignment, or pledge, the transactions to procure the funds, the reduction of credit exposure, the insurance or hedging of the credit risk or other related legal transactions. Such information and documents may be disclosed to recipients in Switzerland. The Bank only discloses client-identifying information on a need-to-know basis as required for a particular transaction.

It should be noted that the information can be provided in any manner, e.g. particularly also by telecommunications, electronic data transfer, or forwarding documents.

The Bank will provide the information only to recipients of information in Switzerland, which are subject to Swiss data protection/privacy obligations and which agree to maintain confidentiality and to comply with the data protection/privacy laws applicable to them. However, recipients of information may not be subject to Swiss banking secrecy and other confidentiality obligations specifically applicable to Swiss banks.

The recipients of the information and documents may be subject to a legal or regulatory obligation to disclose client data to their supervisory authorities or other third parties that have a legal or regulatory right to the disclosure of the information and documents.

The Borrower, the Third-Party Pledgor and other collateral provider are aware that they thereby waive protection under banking secrecy and other confidentiality obligations.

The Borrower, a Third-Party Pledgor, another collateral provider and any other signatories shall ensure that third parties associated with such persons (such as beneficial owners, agents or advisors) are aware of the possibility of their personal data being disclosed for these purposes and have given their consent in this regard.

Additional information on the processing of personal data by the Bank is contained in the privacy statement available online at ([credit-suisse.com/legalnotes](https://www.credit-suisse.com/legalnotes)) and, to the extent applicable, on the country-specific Credit Suisse homepages located at www.credit-suisse.com.

Transfer to other Third-Party Transferees

If loans are further transferred, assigned, or pledged by the Third-Party Transferees, the documents and information described above can be provided to those other third parties as well.

What does the Borrower's, the Third-Party Pledgor's and other collateral provider's waiver of the right of set-off mean?

What does this waiver stipulate?

The waiver of the right of set-off provides that the Borrower, the Third-Party Pledgor and other collateral provider waive their right to set off obligations under the credit relationship or the collateral against any current or future claims vis-à-vis the Bank (e.g. cash deposited in accounts with the Bank). This waiver also applies to Third-Party Transferees in the event that Lombard loans and collateral are transferred.

Significance of the set-off waiver to the relationship between the Bank and the Borrower, the Third-Party Pledgor and other collateral provider

The waiver of the right of set-off means that the Borrower, the Third-Party Pledgor or other collateral provider cannot validly discharge their obligations by way of set off – for instance, by setting off Lombard loans against any credit balances they have with the Bank. Instead, they must pay back Lombard loans in all cases.

Contact us

Your relationship manager will be happy to help if you have any questions.