CREDIT SUISSE

Loan Guidelines

From application through to repayment. The right approach, step by step.

Table of Contents

Loan Guidelines

Credit – from Application to Repayment

How can I arrange credit for my company? What types of loans are actually available? What conditions must my company fulfill to be granted credit? These are questions that all company heads ask themselves. That's why you'll find all the information here that you need for a loan application at Credit Suisse.

In principle, Credit Suisse is a full-service bank and meets all the credit needs of its Swiss market clients in a comprehensive manner. Cross-border loan transactions are possible inasmuch as these relate to the Swiss domestic market.

From application through to repayment. Click on the individual stages and we'll show you each of the steps to be taken.

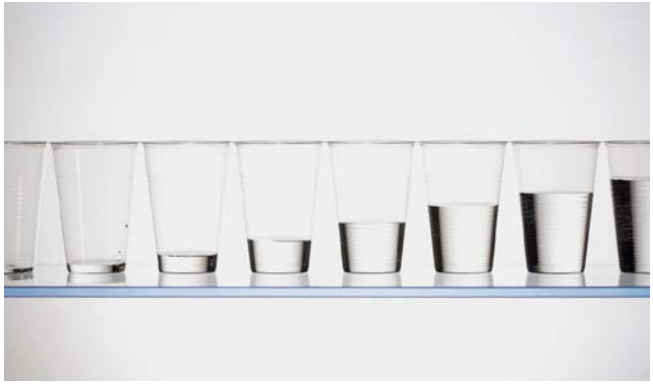
Loan Application

Transparency on both sides

Information about your company helps the bank to evaluate your loan application correctly. The loan application helps you to structure this information. It also lists the supporting documents to be included with your application. It is advisable to draw up a business plan for major projects. The plan will help you to formulate business objectives and to consider how you would like to achieve them.

Clarify Your Requirements

Submit your completed loan application and all documentation to your relationship manager. After checking the documents, he/she will arrange a meeting with you to get to know you and your company, and to clarify your requirements.



Risk Class Allocations

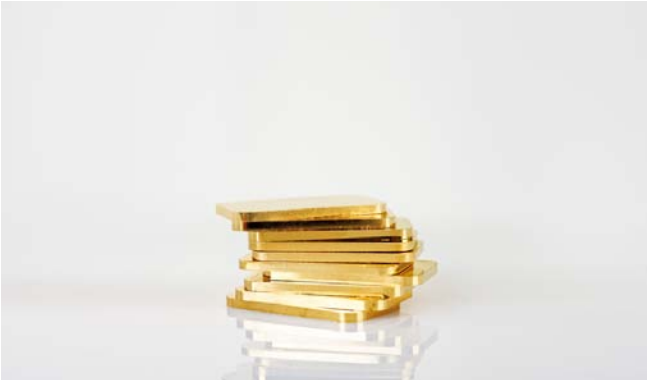
The 18 Risk Classes

After the creditworthiness and solvency of the applicant have been checked by credit specialists, the lending exposure is assigned to a particular risk class. The credit specialists base their decision on the outcome of the credit analysis, taking account of any collateral that might be offered.

Credit Suisse divides its lending exposure into 18 risk classes. Credit relationships involving similar risks (statistical default probability) are grouped together in the same risk class. Allocation to risk classes CR 14 to CR 18 precludes the possibility of a new loan. Further restrictions are possible depending on portfolio considerations. In other words, Credit Suisse actively manages its loan portfolio in order to avoid levels of risk that are generally too high. The bank follows a policy of loan diversification across sectors, regions, company size and risk classes.

Impact on loan interest rate

Since higher risk classes also involve a higher risk of default, the risk premium included in the borrower's interest rate is also higher. This prevents creditworthy clients cross-subsidizing those whose creditworthiness is poor. The regular review of ongoing credit business also looks at whether or not credit relationships - and thus credit risk - still match the conditions for their current risk classes.



Borrowing costs

Risk class determines credit risk

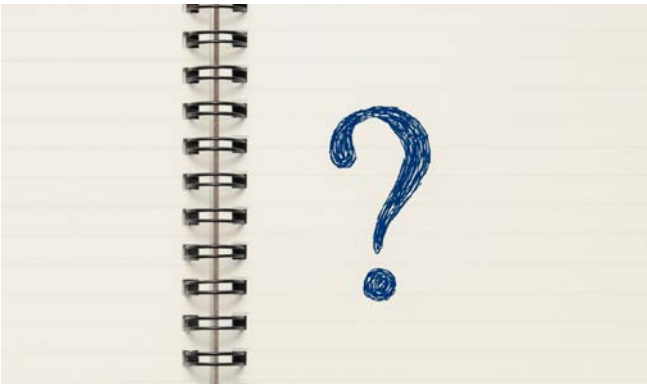
The allocation of risk class - taking into account collateral - also determines credit risk. A loan with low risk costs less than one with a high risk.

Factors Influencing the Price Charged to Client

- Interest rates
- Fees/charges
- Commissions (depending on type of credit)

What Do Borrowing Costs Include?

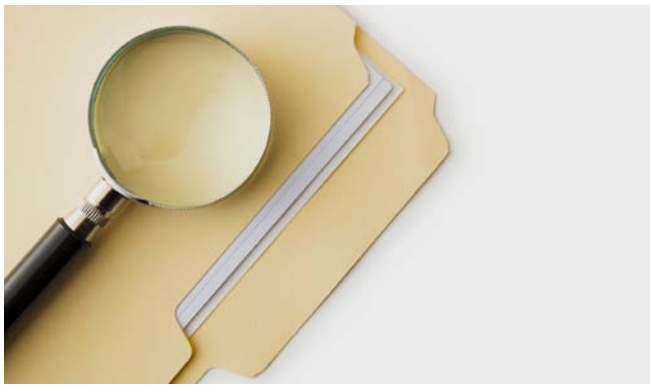
The bank incurs costs through its credit business. It then passes these costs on to its clients.



Types of Financing

Select the most suitable type.

Does my company really need a loan and is this the correct type of financing?
Can I use any of my own funds, and is the credit plan clearly defined?



Credit Analysis

Working Together

After the credit interview, the relationship manager contacts the credit specialist. Together, the relationship manager and credit specialist form your personal 'credit team', which is familiar with your company's specific situation and can evaluate it accordingly. The credit specialist analyses the loan application by looking at all the relevant information as a whole. In particular, he/she will check creditworthiness and solvency, which form the basis for the loan being granted.

Qualitative and quantitative factors play a role in Credit Suisse's analysis of the loan application. In this respect, certain minimum requirements are set for the borrower and the loan transaction.

Most important factors for assessment and minimum requirements of the credit analysis

Company details	
Qualitative factors	History, areas of activity, number of employees, ownership and liability structure
Comments	—

Management	
Qualitative factors	**Management:** management capacity, training, skills and experience, deputy and succession planning, management instruments (budget, liquidity plan, investment plan, interim statements). **Information policy:** punctuality, completeness, proactive distribution of risk-relevant information. **Group organization:** transparency and logic of organizational chart and interrelationships, dependencies on associated companies. **Debt collection:** number and importance.
Comments	• **Competencies and trustworthiness** of management are unconditional requirements for granting the loan. • No credit is granted to borrowers – who contravene laws or ethical principles – with whom there has been negative experience in the past – whose information methods make it difficult or impossible to assess creditworthiness • For corporate groups, the **internal group relationships** must be indicated. • In the case of **bankruptcies and relevant debt collection procedures** in the past, there is no credit approval.

Market and its processing	
Qualitative factors	**Market:** market share and development, diversification, marketing (direct/indirect sales operations), name recognition. **Strategy:** transparency, content, level of followup, continuity, location, implementation. **Products and services:** product range, client orientation, price-performance relationship, innovative efforts, cost structure, productivity. **Dependencies:** on clients, suppliers, raw materials and energy prices, currency fluctuations, etc. **Ecological risks:** existence, probability, influence in the event of an incident, measures.
Comments	• The client must establish credibly that they see the **future** in a structured manner, and that they are aware of the strengths and weaknesses of their **companies,** and the **environmental** risks/opportunities. • Diversification strategies are not to endanger the **core activities.** • In the case of a **unilateral, risk-relevant dependency,** the borrower has to indicate how they have **secured** themselves against these risks. • Ecological risks are gaining more and more relevance. They have an influence on both the assets, e.g. **value retention** of mortgage cover, and the profit and loss account, e.g. **costs** in the case of an incident.

Accounting and current course of business	
Qualitative factors	**Annual financial statement:** date of submission, auditors, accounting policies and group consolidation. **Accounting and current business activities:** completeness and achievability of the budget, current business activities, backlog of orders **Unsecured credits:** the sum of all unsecured credits. of all banks should bear a healthy relationship with the reported own funds, the annual turnover and the cashflow.
Comments	• For legal entities, the audit report of a **qualified and certified auditor** is requested. • For corporate groups, a **consolidated annual statement** is required. • A **change of auditor** requires a plausible explanation. • Possibility to finance planned and necessary investments from the cashflow

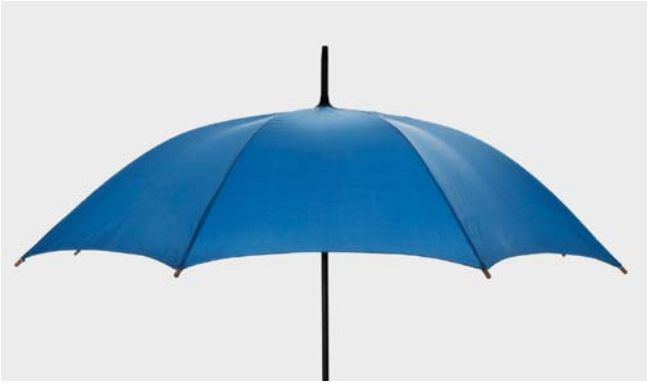
Financial aspects	
Qualitative factors	Three areas are analyzed: • **the earnings situation:** profitability and earning power • **balance sheet solidity:** liquidity and capital structure • **financing power:** cashflow in case of debt and debt service
Comments	In addition to valid key figures, key figures for specific economic branches are also calculated and evaluated.

Assessments	
Qualitative factors	Assessment with following comparisons: • **target comparison** • **time comparison** • **sector comparison**
Comments	• Comparison of key figures with the target proposals of the bank. • Assessment by means of a business cycle. The rating agencies call this comparison "financial strength". • The sector is **not** included **directly** in the client rating. Therefore belonging to a "weak" sector in and of itself does not lead to a poor rating. • As part of a "benchmarking", the relative position within the sector (according to NOGA code system) is assessed. A good business result, compared with the rest of the sector, therefore improves the rating.

Purpose of loan	
Other factors	Purpose of loan
Comments	• The **reason for the loan must always be given.** • Credit Suisse avoids loan transactions, – which could harm **the image of the bank;** – which are made in an effort to **circumvent the law;** – which serve to finance **environmentally harmful** projects and from which **causal liability** could arise for the bank. • If the agreed purpose for the loan cannot be observed during the term, the loan is **reassessed.**

Repayment	
Other factors	Reliability of sources for loan repayment.
Comments	The origin of the means for the loan repayment must be clear.

Affordability	
Other factors	Ability of the borrower to afford the interest and loan repayments, based on expected developments and already existing debts.
Comments	• The affordability of interest and loan repayments must be **proven** in the form of an affordability calculation, which is based on budgets, flow of funds statements and liquidity plans. • In the case of real estate financing for private individuals, expenditure for interest, repayments and ancillary costs must not generally exceed **one third of the gross income.**



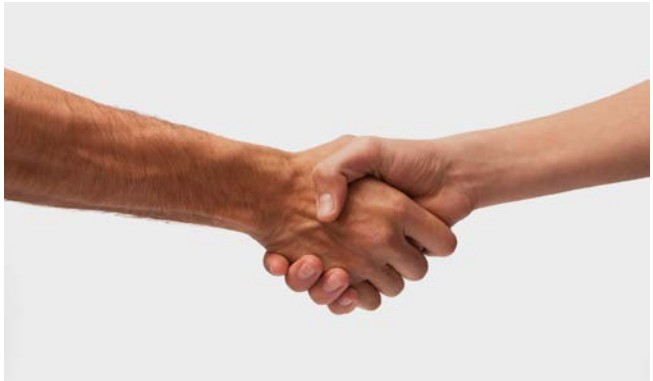
Collateral

Impact on Borrowing Costs

A borrower's creditworthiness is central to credit approval. Collateral is thus not the single determining factor, as the bank must also be able to calculate the risk involved. This is because it has an obligation to its other clients to invest their money as securely as possible. In order to reduce transaction risk, therefore, the bank sometimes demands collateral, to which it would have recourse in the event of the borrower's inability to repay the loan. The collateral provided by the borrower can thus have a positive impact on credit approval and the costs of borrowing. For example, if a high-risk borrower can provide good security, they might be assigned to a lower risk class and thus pay less for credit.

Valuation of collateral

Collateral is never regarded as providing 100% credit cover, as it must also secure current interest. Furthermore, the value of tangible collateral is often subject to fluctuation. This is why, while 95% of the current value of a cash or savings account may be used as security, the corresponding figure for building land is only 50%.



Credit Relationship

Credit approval will be re-evaluated regularly

You have received your loan. During the term of the loan, the bank wants to be able to recognize, at an early stage, any possible risks which might arise. For this reason, credit approval is re-evaluated at regular intervals.

Create a good credit relationship

Have your relationship manager explain the credit decision to you and discuss your risk assessment. Create a credit relationship based on trust by adhering to the contractual arrangements and informing those concerned as openly as possible about your ongoing business activities.

Individual Financing Solutions

Contact your personal client advisor or our Business Center at 0800 88 88 74* or complete the contact form.

* Telephone calls can be recorded.

Contact

- Arrange personal consultation
- Give us a call at 0800 88 88 71*