

# Information Brochure on Corporate Loans

Contracts issued by the Bank for corporate loans contain industry-standard provisions regarding

- the transferability of credits or credit receivables with or without collateral and accessory rights or a portion thereof to a third party
- the insurance or hedging of credit risks, and
- corporate loans with mortgage-backed collateral (including the appointment of a trustee).

This Information Brochure provides detailed information about these provisions. Insofar as not all provisions are included in the contract(s) concluded, those parts of the Information Brochure which refer to the relevant provisions must be observed.

The key points in brief:

**Transferability:**

The transferability provision declares that the Bank can transfer the credit or the credit receivables with or without collateral and accessory rights or a portion thereof to third parties and the associated information can be made accessible to involved third parties and other involved parties. In this regard, the Bank is released from the obligation to maintain bank client secrecy and any other confidentiality and data protection obligations.

**Credit risk hedging:**

The credit risk hedging clause declares that the Bank can directly or indirectly insure or hedge credit risks that arise from the credit relationship or from the collateral liable for the credit. In this regard, the Bank is released from the obligation to maintain bank client secrecy and any other confidentiality and data protection obligations.

**Corporate loans with mortgage-backed collateral:**

For corporate loans with mortgage-backed collateral, it must be possible for the rights to mortgage deeds that are used as collateral as part of a credit contract concluded with the Bank to be acquired and exercised by a trustee rather than by the Bank, if necessary. The trustee becomes the holder of the real estate lien and the owner of the mortgage deed in place of the Bank.

## Part 1: Transferability

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### What is the purpose of the transferability provision?

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**What is stipulated in the transferability provision?**

The transferability provision stipulates that the Bank can transfer or assign the credit or credit receivables with or without collateral and accessory rights or a portion thereof to a third party in Switzerland or abroad. This also includes the possibility of a pledge to a third party. This third party can transfer, assign, or pledge the credit or the credit receivables with or without collateral and accessory rights or a portion thereof to other acquirers in Switzerland or abroad. The provision also stipulates that information relating to the credit or credit receivables may be made accessible to the third party or other involved parties.

**To whom can credits be transferred?**

Third parties in this context include other banks, insurance companies, funds or fund management companies, institutional investors, companies founded for this purpose (special purpose entities), or other investors.

**What is the purpose of the transferability provision?**

Transferring, assigning, or pledging the credits or credit receivables enables the Bank in particular to

- obtain financial resources or exploit sources of refinancing,
- reduce its receivables and therefore its credit risks,
- hedge its credit risk and thereby protect itself against losses from lending operations (if the insurance or hedging of credit risks takes place without transferring or pledging credits or credit receivables, the statements in part 2 of this Information Brochure apply), and
- outsource certain business activities to another company in order to achieve more efficient organizational procedures.

The transfer option can also be used in the Bank's emergency plan as a means of obtaining financial resources in the event of 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 (the issuer of a fund, for example) raises capital through the issue of bonds or other investment products to investors and uses this capital to finance the direct or indirect acquisition

of credits or credit receivables from the Bank. The investors' claims are directly or indirectly secured through the transferred credits or credit receivables.

- through the *sale* of credits or credit receivables: In the sale of credits or credit receivables to a third party, these are usually transferred definitively to the respective acquirer.
- by issuing *covered bonds* or other comparable investment products: In the case of covered bonds and similar investment products, investors make funds available to the Bank by purchasing bonds or other investment products.

For the purpose of direct or indirect cover of the receivables of investors against the Bank, credits or credit receivables are transferred to a company set up for this purpose (special purpose entity) or pledged in favor of the investor.

#### **How are receivables and therefore credit risks reduced?**

This reduction can be achieved through the sale of credits or credit receivables to third parties.

#### **How is credit risk insured or hedged?**

In order to insure or hedge credit risk, the Bank

- takes out an insurance contract with an insurance company to cover credit default risk,
- involves third parties in the risk and performance of the loan (e.g. through sub-participation); such third parties may, under certain circumstances, themselves refinance by issuing bonds or other investment products,
- uses hedging options in the form of financial derivatives or other legal transactions, for example, by concluding contracts with third parties which trigger a payment obligation for the third party upon the occurrence of certain events associated with loans (such as default by the borrower).

Claims of the involved third parties or other involved parties toward the Bank or the issuer in connection with this insurance or hedging can be directly or indirectly covered by credits or credit receivables. If the insurance or hedging of credit risks takes place without transferring or pledging credits or credit receivables, the statements in part 2 of this Information Brochure apply in this regard.

#### **How are certain business activities outsourced?**

Business activities are outsourced if the Bank instructs another company (service provider) to perform a service essential to the Bank's business activities independently and on a long-term basis. Under certain circumstances, this may be linked to the transfer of credit or credit receivables to the service provider.

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### **What does this transferability provision mean for clients and for the Bank?**

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#### **Significance for the legal relationship between the Bank and the client**

If the Bank exercises its right of transfer or assigns credits or credit receivables to a third party, the latter will take the place

of the Bank. The collateral and accessory rights can also be transferred. In the case of a pledge of the credits or credit receivables, the third party is the pledgee.

#### **Significance for further transfer by the third party**

If the third party enforces its right to subsequently transfer, assign, or pledge the credits or credit receivables, the contracting parties of the client or creditor of the credits or credit receivables may change again.

#### **Significance for the rights of the client or guarantor, particularly with regard to any rights of set-off**

If a third party acquires the credit or credit receivables, or there is a corresponding assignment or pledge, and if the client or guarantor is notified of this, any rights (e.g. rights of set-off or other objections or pleas) that the client or guarantor has toward the Bank that only arise after said notification may no longer be asserted against this third party. In particular, this means that any credit balances of the client or guarantor that are held with the Bank and arise after this notification may under certain circumstances not be used to offset the credit receivables.

#### **Significance with regard to interest and capital payments**

All interest and capital payments must continue to be paid to the Bank unless the client has been notified that the credit has been transferred, assigned, or pledged to a third party. If such notification has been given, the payment instructions issued with this notification must then be followed.

#### **Significance in the case of a partial transfer of credit receivables under a credit contract**

In the event of a partial transfer of credit receivables under a credit contract, the Bank remains the creditor of the credit receivables not transferred. In this case, the Bank can act in the interest of the third-party acquirer(s) in addition to its own interests within the scope of credit management as well as any possible realization or enforcement actions concerning the respective credit receivables. With regard to changes in contractual terms and conditions of the loan, as well as the structure of certain administrative and realization actions, the Bank may be dependent on the consent of the third-party acquirer(s).

The Bank and the third-party acquirer(s) may have different interests regarding the management and repayment of the credit receivables and may even initiate realization or enforcement actions independently of one another under certain conditions. Neither the Bank nor the third-party acquirer(s) are obligated to coordinate their respective procedures.

Finally, in the case of a partial transfer of credit receivables, it may lead to an unequal allocation of the collateral ordered for the credit. This can lead to the collateral originally ordered for the Bank no longer being available to cover or repay all credit receivables of the Bank.

### **The provisions regarding termination also apply to an acquirer**

The provisions regarding termination do not change for the client: The credit contract or collateral agreement concluded between the Bank and the borrower or guarantor lays down regulations on termination rights. Accordingly, the third party to whom the credit or credit receivables is/are transferred, assigned, or pledged must abide by the contractual termination rights.

### **Significance in the case of the transfer of credits or credit receivables without the corresponding collateral**

Within the scope of completely or partially transferring credits or credit receivables to a third party, if the corresponding collateral is not transferred or only partially transferred, the collateral involved in the case of a realization or enforcement by the third party is no longer available to cover or repay the transferred credits or credit receivables.

### **Release of collateral to the client or guarantor**

Even in the case of a transfer to a third party, collateral must be released to the client or guarantor if there are no remaining claims or claims that could arise against this collateral on the part of the Bank or third party in relation to the client.

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### **What implications does the transferability provision have with regard to bank client secrecy and any other confidentiality or data protection obligations of the Bank?**

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#### **Disclosure of information by the Bank**

Because of the transferability provision, the Bank is entitled to disclose all information and documents in connection with the loan within the scope of the arrangement, conclusion, and execution of transactions, which include transferring, assigning, or pledging credits or credit receivables. This includes the name of the borrower, the name of the guarantor, the credit amount, the type of credit and collateral, credit and collateral agreements, information about the financial circumstances of the borrower, and other information collected in the context of granting the loan or lending management. Recipients of this information and documents may be the third parties to whom the credit or credit receivables are transferred, assigned, or pledged, as well as other parties involved (such as credit rating agencies, trust companies and asset managers, and custodian banks for funds) that are directly or indirectly involved in the transfer, assignment or pledge, the financing transactions, the reduction of the loans from credit exposures, the insurance or hedging of the credit risk or the outsourcing of business operations, or other related legal transactions. Information may be disclosed to recipients in Switzerland or abroad.

The transferability provision thus releases the Bank accordingly from bank client Secrecy and additional confidentiality and data protection obligations.

It should be noted that the information can be made accessible in any way, i.e. in particular through transfer via telecommunications, electronic data transfer, or the forwarding of documents.

However, the Bank will make the information accessible to information recipients only if they are also subject to Swiss bank client secrecy and Swiss data protection obligations or if they are subject to an equivalent privacy statement.

Recipients of the information and documents may have a legal or regulatory obligation to disclose client data to their supervisory authority or other third parties, which have a legal or regulatory claim for disclosure.

#### **Transfer to other acquirers**

In the event of a transfer, assignment, or pledge of the credit or credit receivables to additional acquirers, the information may also be made accessible to these acquirers if they are subject to a confidentiality obligation and a requirement to forward the information only to parties themselves subject to confidentiality obligations.

#### **Information recipients abroad**

If information is made available to an information recipient abroad, the bank client secrecy protection guaranteed by Swiss law no longer applies. Furthermore, the client-related information may enter countries that guarantee less extensive data protection than Switzerland.

## **Part 2: Credit Risk Hedging**

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### **What is the purpose of the credit risk hedging clause?**

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#### **What is stipulated in the credit risk hedging clause?**

The credit risk hedging clause stipulates that the Bank can directly or indirectly insure or hedge credit risks that arise from the credit relationship or from the collateral liable for the credit. The provision also stipulates that information relating to the credit relationship may be made accessible to the involved third party or other involved parties.

If the insurance or hedging of credit risks takes place by transferring or pledging credits or credit receivables, the statements in part 1 of this Information Brochure apply in this regard.

#### **What is the purpose of the credit risk hedging clause?**

Insuring or hedging this credit risk allows the Bank, in particular, to protect itself against losses from lending operations.

#### **How is credit risk insured or hedged?**

In order to insure or hedge credit risk, the Bank

- takes out an insurance contract with an insurance company to cover the default risk for credit relationships,
- involves third parties in the risk and performance of the credit relationships (e.g. through sub-participation); such third parties may, under certain circumstances, themselves refinance by issuing bonds or other investment products,
- uses hedging options in the form of financial derivatives or other legal transactions, for example, by concluding contracts with third parties which trigger a payment obligation for the third party upon the occurrence of certain events associated with credit relationships (such as default by the borrower).

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## What does the credit risk hedging clause mean for clients and for the Bank?

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### Significance for the legal relationship between the Bank and the client

In the case of insuring or hedging credit risk, the credit relationship as well as the credit receivables, including the corresponding collateral and accessory rights, remain with the Bank.

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## What does the credit risk hedging clause mean with regard to bank client secrecy and any other confidentiality or data protection obligations of the Bank?

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### Disclosure of information by the Bank

Because of the credit risk hedging clause, the Bank is entitled to transfer all information and documents associated with the credit relationship within the scope of the arrangement, conclusion, and execution of transactions, which include insuring or hedging this credit risk. This includes the name of the borrower, the name of the guarantor, the credit amount, the type of credit and collateral, credit and collateral agreements, information about the financial circumstances of the borrower, and other information collected in the context of granting the loan or lending management. Recipients of such information and documents can be the third parties that are involved with insuring or hedging credit risks or other related legal transactions (e.g. banks, other providers of financial services, credit insurers, funds, or other credit protection providers) as well as other involved parties (e.g. rating agencies, asset managers, and custodian banks for funds) that are directly or indirectly involved with insuring or hedging credit risks. Information may be disclosed to recipients in Switzerland or abroad.

The credit risk hedging clause thus releases the Bank from bank client secrecy and additional confidentiality and data protection obligations in this regard.

It should be noted that the information can be made accessible in any way, i.e. in particular through transfer via telecommunications, electronic data transfer, or the forwarding of documents.

However, the Bank will make the information accessible to information recipients only if they are also subject to Swiss bank client secrecy and Swiss data protection obligations or if they are subject to an equivalent privacy statement.

Recipients of the information and documents may have a legal or regulatory obligation to disclose client data to their supervisory authority or other third parties, which have a legal or regulatory claim for disclosure.

### Information recipients abroad

If information is made available to an information recipient abroad, the bank client secrecy protection guaranteed by Swiss law no longer applies. Furthermore, the client-related information may enter countries that guarantee less extensive data protection than Switzerland.

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## Part 3: Supplement for Corporate Loans with Mortgage-Backed Collateral

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### What is the purpose of the provision on the appointment of a trustee?

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#### What does the provision on the appointment of a trustee stipulate?

The provision stipulates that the rights to mortgage deeds that are used as collateral as part of a credit contract concluded with the Bank can be acquired and exercised by a trustee rather than by the Bank.

#### What is the purpose of the appointment of a trustee?

In particular, the appointment of a trustee enables

- more efficient organizational procedures in which a wide range of administrative tasks relating to mortgage deeds can be centralized and transferred to a SIX Group company or to another service provider specializing in this field;
- easier repayment of mortgage-backed credits. For example, physical mortgage deeds no longer need to be sent, and there is no need for the security creditor to be re-registered in the land records in the case of registered mortgage notes if the repaying bank works with the same trustee;
- simplification of the transfer, assignment, or pledging of credits and credit receivables as described in part 1 of this Information Brochure.

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### What does this provision mean for clients and for the Bank?

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#### The trustee is the holder of the real estate lien in place of the Bank

With the appointment of a trustee, the Bank's rights to the mortgage deeds can be transferred to a trustee. The trustee thereby becomes the holder of the real estate lien in place of the Bank and therefore the owner of the mortgage deed. Particularly in the case of existing registered mortgage notes, the trustee is registered as the holder of the real estate lien in place of the Bank. New registered mortgage notes are set up in the name of the trustee instead of in the name of the Bank.

#### Exercise of rights arising from the mortgage deeds by the trustee

The trustee can, in place of the Bank, exercise the rights of the holder of the real estate lien, but on behalf of and upon instruction from the Bank. This means, for example, that the trustee can terminate the relevant mortgage notes and assert the mortgage note claims him-/herself. In the case of transfer of credit receivables to a third party (as per part 1 of this Information Brochure), the trustee can assert the rights of the holder of the real estate lien on behalf of and under the instruction of the third party.

### **Release of the mortgage deeds to the client or guarantor**

Even in the case of a transfer to a trustee, the mortgage deeds must be released to the client or guarantor if there are no remaining claims or claims that could arise secured against these deeds in relation to the client.

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### **What are the consequences of the transferability provision?**

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#### **Further transfer by the third party if the contract contains a transferability provision**

If mortgage deeds are further transferred or pledged, this can result in an increased risk of an acquirer taking action against the debtor from the mortgage deeds without taking into account payments already made (risk of double payment). However, as part of the transactions associated with the transfer or pledge, the Bank takes appropriate measures to mitigate this increased risk.

#### **No limitation in respect of the sale of the property encumbered with the real estate mortgage**

In the case of a loan collateralized with a mortgage deed, the transferability clause does not restrict the sale of the property encumbered with the real estate mortgage. However, it should be noted that the sale of the property can still result in the maturity of the credit receivables and, therefore, an early repayment penalty.

### **Glossary**

- **Mortgage deeds** include paper mortgage notes, registered mortgage notes, or bearer bonds with mortgage assignment.
- **Credits** are the credit contracts or credit receivables including the corresponding collateral and accessory rights.
- **Credit receivables** are the receivables that arose or will arise in the future under a credit contract.

Otherwise, the terms used in the contracts concerning corporate loans also apply to this Information Brochure.

#### **Contact us**

Please do not hesitate to contact your relationship manager should you have any questions.