

*The following is a brief description of the provisions of the terms and conditions of Credit Suisse's existing high- and low-trigger regulatory capital instruments (going concern instruments), the operation of which may result in such instruments absorbing losses of Credit Suisse by way of either a full conversion of such instruments into ordinary shares of Credit Suisse Group AG ("CSG") or a write-off of such instruments, as applicable, upon the occurrence of certain specified events. The following is a summary only and does not purport to be a complete description of the relevant provisions or the terms of the instruments generally and is subject to the detailed provisions of, and qualified in its entirety by reference to, the full terms and conditions of the relevant instrument. In addition, the below includes a brief description of the order in which these instruments would absorb losses (i.e., would be written-down and/or converted, as the case may be) under current Swiss banking laws in the case of a bail-in of the relevant issuing Swiss Credit Suisse entity by the Swiss Financial Market Supervisory Authority FINMA ("FINMA").*

#### **High-trigger instruments – first stage of loss absorption**

The terms and conditions of Credit Suisse's existing high-trigger regulatory capital instruments qualifying as additional tier 1 ("AT1") or tier 2 capital (the "High-Trigger Instruments"), which are currently either issued by special purpose vehicles and guaranteed by CSG or directly by CSG or, in the case of the Contingent Capital Awards, issued by CSG, Credit Suisse AG ("CS AG") or certain other employing entities of the Credit Suisse Group, include a provision that requires either their full conversion into ordinary shares of CSG or their write-off, as the case may be, upon the occurrence of either a "Contingency Event" or a "Viability Event", each of which are summarized below.

- A "Contingency Event" will occur if (i) Credit Suisse group's consolidated common equity tier 1 ("CET1") divided by its consolidated risk weighted assets ("RWA") as of any quarterly balance sheet date (or, in the case of certain of these instruments, such other date specified by FINMA) is below 7%, and (ii) FINMA has not agreed in writing prior to publication of such CET1/RWA ratio that a full conversion or write-off, as applicable, shall not occur because it is satisfied that actions, circumstances or events have had, or imminently will have, the effect of restoring the CET1/RWA ratio to a level above 7% that it deems to be adequate.
- A "Viability Event" will occur if either (i) FINMA notifies CSG that it has determined that a conversion or write-off of the relevant instrument, together with the conversion or write-off of holders' claims in respect of all other regulatory capital instruments issued by a member of the Credit Suisse group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written-off at that time, is, because customary measures to improve CSG's capital adequacy are at the time inadequate or unfeasible, an essential requirement to prevent CSG from becoming insolvent, bankrupt or unable to pay a material part of its debts as they fall due, or from ceasing to carry on its business, or (ii)

customary measures to improve CSG's capital adequacy being at the time inadequate or unfeasible, CSG receives an irrevocable commitment of extraordinary support from the public sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving CSG's capital adequacy and without which, in the determination of FINMA, CSG would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business. The occurrence of either or both of these two events is also referred to as the "Point of Non-Viability" or the "PONV".

These High-Trigger Instruments, which qualify towards going concern capital for systemically relevant banks under Swiss banking laws, are designed to be *first in line to absorb losses*, before all of Credit Suisse's other regulatory capital instruments.

#### **Low-trigger AT1 instruments –second stage of loss absorption**

The terms of Credit Suisse's existing low-trigger AT1 regulatory capital instruments, which are currently all issued by CSG ("Low-Trigger AT1 Instruments"), contain the same provision as the High-Trigger Instruments described above, which provision requires their write-off upon the occurrence of a Contingency Event or a Viability Event, except that the Contingency Event triggering their write-off requires the CET1/RWA ratio to fall below 5.125% instead of 7%. In order to guarantee the intended sequence of conversion or write-off, as applicable, among Credit Suisse's regulatory capital instruments, the calculation of the CET1/RWA ratio for purposes of Credit Suisse's Low-Trigger AT1 Instruments takes the conversion of any outstanding High-Trigger Instruments into account.

These Low-Trigger AT1 Instruments, which also qualify towards the going concern capital for systemically relevant banks under Swiss banking laws (on the basis of transitional rules, until the date of the first possibility to call in accordance with their terms), are designed to *absorb losses after all High-Trigger Instruments* have been converted or written-off, as applicable.

#### **Low-trigger Tier 2 instruments –third stage of loss absorption**

The terms and conditions of Credit Suisse's existing low-trigger tier 2 regulatory capital instruments, which are currently all issued by CS AG ("Low-Trigger Tier 2 Instruments"), contain the same provision as the High-Trigger Instruments and the Low-Trigger AT1 Instruments described above, which provision requires their write-off upon the occurrence of a Contingency Event or a Viability Event, except that the Contingency Event triggering their write-off requires the CET1/RWA ratio to fall below 5% (instead of 5.125% or 7%). In order to guarantee the intended sequence of conversion or write-off, as applicable, among Credit Suisse's regulatory capital instruments, the calculation of the CET1/RWA ratio for purposes of Credit Suisse's Low-Trigger Tier 2 Instruments takes the conversion of any outstanding High-Trigger Instruments and Low-Trigger AT1 Instruments into account.

These Low-Trigger Tier 2 Instruments, which also qualify towards the going concern capital for systemically relevant banks under Swiss banking laws (on the basis of transitional rules, until maturity or until the date of the first possibility to call in accordance with their terms, but no

longer than 31 December 2019), are designed to *absorb losses after all High-Trigger Instruments and Low-Trigger AT1 Instruments have been converted or written-off*, as applicable.

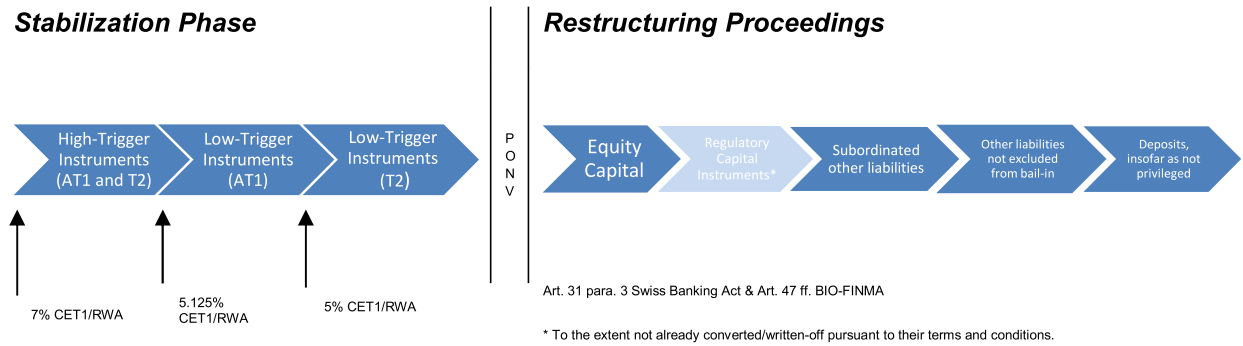
### **Restructuring proceedings**

In the case of restructuring proceedings being opened with respect to CSG (which is subject to the resolution powers of FINMA since the revision of the Swiss Banking Act effective as of 1 January 2016 and which is the resolution entity under the single-point-of-entry concept favored by FINMA and endorsed by Credit Suisse), the high-trigger and low-trigger instruments issued by the relevant Swiss Credit Suisse entity subject to restructuring proceedings (i.e., CSG in the single-point-of-entry concept) could be fully or partially converted or written-down by FINMA based on the powers afforded FINMA under Swiss banking laws (also referred to as a "statutory bail-in") if they have not been converted or written-off previously by operation of their terms. However, FINMA would only be able to do so *after* the share capital of the relevant Swiss Credit Suisse entity has been completely written-off (i.e., after all outstanding shares of CSG have been cancelled). Furthermore, FINMA would be required to fully convert or write-off the relevant Swiss Credit Suisse entity's regulatory capital instruments *before* it would be permitted to convert or write-down the relevant Swiss Credit Suisse entity's subordinated liabilities that do not qualify as regulatory capital, if any, any other liabilities not excluded from FINMA's statutory bail-in powers (such as instruments eligible to meet the gone concern requirements for globally systemically relevant banks under Swiss banking laws), and deposits to the extent such deposits are not privileged (and exist on the balance sheet of the relevant entity). High-trigger and low-trigger instruments *not* issued by the relevant Swiss Credit Suisse entity subject to restructuring proceedings that, however, contain a clause providing for the contractual write-off and/or conversion into ordinary shares of CSG upon the occurrence of a "Viability Event" relating to the relevant Swiss Credit Suisse entity subject to restructuring proceedings, would be subject to such contractual write-off and/or conversion into ordinary shares of CSG. Rights of holders with respect to the delivery of ordinary shares of CSG resulting from such high-trigger and low-trigger instruments, or ordinary shares of CSG already delivered, as the case may be, would also be subject to the statutory bail-in powers of FINMA and may be fully or partially converted or written-down by FINMA.

The Swiss Banking Act and the Swiss Banking Insolvency Ordinance of FINMA (the "BIO-FINMA") require the equity and obligations of an entity subject to restructuring proceedings under Swiss banking laws to be written-down and converted in the order described above. Since a statutory bail-in of such an entity would lead to its recapitalization and may only be ordered "as a last resort to preventing the bank's insolvency", FINMA may only open restructuring proceedings with respect to a Swiss Credit Suisse entity (i.e., CSG in the single-point-of-entry concept) based on the over-indebtedness of such entity or such entity's failure to comply with the applicable Swiss capital adequacy requirements after the expiry of a deadline set by FINMA. If either condition for opening restructuring proceedings were to be met with respect to a Swiss Credit Suisse entity, it is likely that a Contingency Event under all Credit Suisse's outstanding regulatory capital instruments will have also occurred, since all trigger events refer to the group consolidated CET1/RWA ratio, and that the write-off or conversion, as applicable, of such instruments would occur based on the terms of the instruments, irrespective of whether FINMA

were to open restructuring proceedings. This would mean that such instruments would either be converted in full into equity of CSG and, in the case of restructuring proceedings of CSG, be treated as equity for purposes of such proceedings, or be written-off.

**Graphic overview – sequence of conversion/write-off\***



\* In the single-point-of-entry concept, where restructuring proceedings would be opened with respect to CSG only, no deposits would exist on the balance sheet and, hence, would not be subject to a bail-in.