

# Swiss government bond wipeout

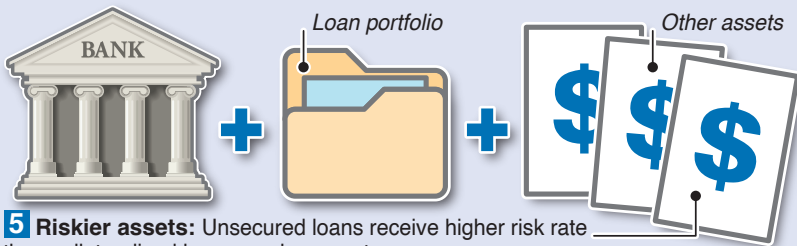
Holders of \$17.3 billion of Credit Suisse's Additional Tier 1 debt will have their bonds wiped out as part of the state-backed takeover by UBS, triggering uproar across European debt markets

**1 2011:** Following Global Financial Crisis, **Basel III** reforms are adopted to absorb losses in banking sector

**3 Risk-weighted assets:** Method of measuring risk inherent in assets – typically bank's loan portfolio

**2 Regulatory capital:** Shares and retained assets that can absorb losses are ranked **Tier 1** and **Tier 2**

**4 Basel rules:** Measure risks in bank's loan portfolio, other assets and off-balance sheet items



**5 Riskier assets:** Unsecured loans receive higher risk rate than collateralised loans, such as mortgages

**6 Creditor hierarchy:** If bank runs into trouble, **Tier 1** shareholders usually rank below **Additional Tier 1 (AT1)** bondholders in terms of who gets paid

**Credit Suisse shareholders and bondholders (Dec 2022)**

Core Equity Tier 1 (CET1)

\$37.9bn

Additional  
Tier 1  
\$17.3bn

Tier 2 (T2)

\$52.8bn

\$108bn

Swiss government ignores creditor hierarchy and imposes total losses on AT1 capital bonds. Will pay Tier 1 shareholders \$3.23bn

