

Interest rate forecast for companies

UBS financing in the current CHF interest rate environment – August and September 2019

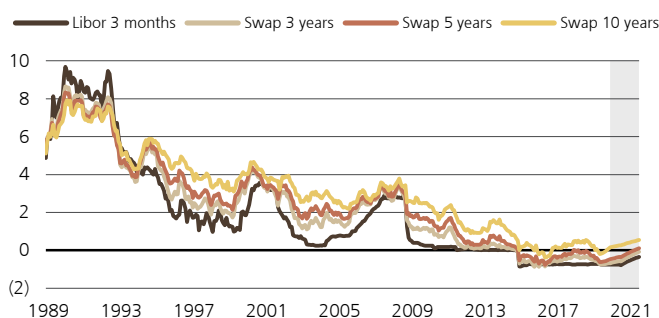
Concerns about global trade – hope of intervention by central banks

In early August, US President Donald Trump announced a new 10% tariff on 300 billion US dollars of imported goods from China, reigniting concerns about the state of the global economy.

The US Federal Reserve and the European Central Bank (ECB) are now prepared to take active measures in response. The Fed cut interest rates by 25 basis points at the end of July and is prepared to make another interest rate cut later this year. In its press conference, the ECB announced a loosening of monetary policy in the face of the sluggish state of European economies.

If the ECB really does cut its interest rates, the Swiss National Bank would be forced to do the same. The prospect of a reflationary monetary policy has driven bond interest rates in Switzerland to a record low. Concern about global trade and hope of intervention by central banks may continue to keep interest rates at an all-time low over the next few months.

Long-term CHF interest rate trend in %



Sources: Bloomberg, UBS Switzerland AG

CHF interest rate forecast in figures

	13/08/19	31/12/19	30/06/20	31/12/20	30/06/21
Libor 3 months	-0.79	-0.75	-0.75	-0.61	-0.40
Swap 3 years	-0.91	-0.69	-0.58	-0.38	-0.15
Swap 5 years	-0.83	-0.50	-0.37	-0.18	0.04
Swap 10 years	-0.50	0.09	0.24	0.37	0.51

Sources: Bloomberg, UBS Switzerland AG

Please note that the stated interest rate is in part a forecast and the actual interest rate may be higher or lower.

The perfect real estate financing for every need

The type of financing has a significant effect on the profitability of your investment properties. We offer you tailor-made financing models and support you in optimizing your earnings through the whole life cycle of your properties.

- With a UBS fixed-rate Mortgage or a UBS fixed-rate Loan, we fix the capital, duration and interest rate in the long term. This makes calculating costs easy.
- If you are looking for highly flexible, short-term financing, we recommend UBS fixed advances, a UBS Libor loan or a UBS Libor Mortgage.

With an overall limit under UBS Real Estate financing, you have maximum flexibility for covering your financial needs thanks to a variety of loan usage options.

UBS real estate financing offers attractive combination opportunities under any interest rate conditions

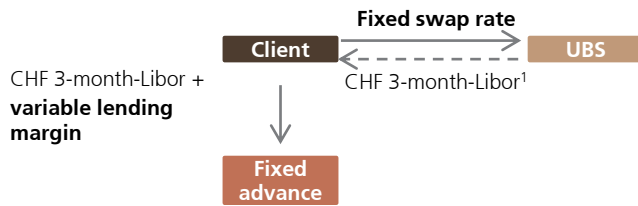
Interest rate level	UBS fixed-rate mortgage UBS fixed-rate loans			UBS Libor mortgage UBS Libor loans UBS fixed advances
	short	medium	long	
high	●	●	●	●
decreasing	●	●	●	●
normal	●	●	●	●
rising	●	●	●	●
low	●	●	●	●

suitable
 Suitable under certain conditions
 Not suitable

Hedging against interest rate risks

Do you want to make reliable calculations and stay on top of the risk of interest rate fluctuations? We assist you in structuring and implementing complex financing and hedging solutions.

Cash flows of an interest rate swap



¹ A swap always involves the actual Libor (London Interbank Offered Rate), even if it is negative. ² In a negative interest rate environment, this means that the client pays Libor to UBS.

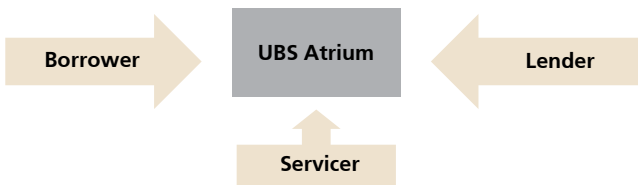
Important information

- **Protection against rising swap rates:** when you conclude a swap, you lock in the swap rate for the entire term.
- **Improved flexibility of financing:** Since the interest rate hedging transaction is legally independent of the money market financing, the variable financing can be adjusted at every rolling date to the actual capital requirements.
- **Any future start date can be selected:** You can lock in low interest rates today for future financing.
- **Efficient adjustment to current requirements** is possible.
- **Active management of interest rate risks.**
- **No hedging premium** to be paid by customer.

UBS Atrium

UBS Atrium is a platform for financing investment property, where borrowers and Swiss institutional investors searching for reliable long-term financing opportunities in the Swiss real estate sector can meet. Place just one request and you will receive multiple offers at the best possible conditions from the range of available products. The offers are easy to compare and the choice of investor is completely up to you.

Further information can be found at ubs.com/atrium



Important information

- **Extended range of offerings at attractive conditions** results from having access to multiple investors.
- Free choice of financing from among the offers of the different lenders.
- **UBS quality and service you know and trust**, because all investors on the platform are UBS partners.
- **UBS and your client advisor remain your contact** until the term of the loan ends.
- **No hidden costs** and a clear, transparent fee structure.

UBS Switzerland AG
P.O. Box
8098 Zurich

ubs.com/immobilien

This publication is intended for information purposes only and is not intended as a recommendation, an offer or a solicitation of an offer. Before making a decision, you should obtain appropriate professional advice. Please note that UBS reserves the right to alter its services, products and prices at any time without prior notice. Certain products and services are subject to legal restrictions and cannot therefore be offered worldwide on an unrestricted basis. Reproduction in whole or part is prohibited without prior permission of UBS.
© UBS 2019. The key symbol and UBS are registered and/or unregistered trademarks of UBS. All rights reserved. August 2019.