

# Annual Report

Company **UBS Hypotheken AG, Zürich**

Business year **2015**

For the year ended **31 December 2015**

**UBS Hypotheken AG, Zürich**

(in CHF)

Assets	Note	31.12.2015	31.12.2014
<b>Current assets</b>			
Cash and cash equivalents		368'335'976	2'024'042'532
UBS Switzerland AG Current account		583'563	732'125
UBS Switzerland AG Cover pool liquidity	2a	367'752'413	2'023'310'407
Other current assets		20'918	6'933
Accrued income and prepaid expenses		4'943'333	7'359'713
UBS AG, London Branch Guarantee Fee		4'943'333	7'359'713
<b>Total current assets</b>		<b>373'300'228</b>	<b>2'031'409'178</b>
<b>Total assets</b>		<b>373'300'228</b>	<b>2'031'409'178</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current financial liabilities		367'751'743	2'023'310'000
Loan UBS Switzerland AG		367'751'743	2'023'310'000
Accrued expenses and deferred income		5'008'750	7'420'362
UBS Switzerland AG Collateral Differential		4'882'657	7'281'667
<b>Total current liabilities</b>		<b>372'760'492</b>	<b>2'030'730'362</b>
<b>Total liabilities</b>		<b>372'760'492</b>	<b>2'030'730'362</b>
<b>Equity</b>			
Share capital		100'000	100'000
Statutory capital reserve		100'000	100'000
Retained earnings			
Profit brought forward		18'816	12'182
Profit for the year		320'920	466'634
<b>Total equity</b>		<b>539'736</b>	<b>678'816</b>
<b>Total liabilities</b>		<b>373'300'228</b>	<b>2'031'409'178</b>

Zurich, 15 April 2016

  
 Reto Husmann  
 Member of the Board of Directors

  
 Kaspar Holmann  
 President of the Board of Directors

Annual report for the year ended 31 December 2015

Income statement

## UBS Hypotheken AG, Zürich

(in CHF)

	Note	2015	2014
Net revenues Guarantee Fee	2b	63'798'424	104'567'733
Personnel expenses	4	-42'267	-43'915
Other operating expenses	2c	-63'303'556	-103'885'554
<b>Operating profit before interest and tax</b>		<b>452'601</b>	<b>638'264</b>
Financial income		0	804
<b>Operating profit before tax</b>		<b>452'601</b>	<b>639'068</b>
Other administrative expenses		-44'060	-47'143
<b>Profit before tax</b>		<b>408'541</b>	<b>591'925</b>
Tax expenses		-87'621	-125'292
<b>Profit for the year</b>		<b>320'920</b>	<b>466'634</b>

Zurich, 15 April 2016

  
Reto Husmann  
Member of the Board of Directors

  
Kaspar Hofmann  
President of the Board of Directors

## UBS Hypotheken AG, Zurich

(in Swiss francs)

	2015	2014
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### 1. Accounting law used:

The present Annual Financial Statement has been prepared in accordance with the provisions concerning commercial accounting of the Swiss Code of Obligations (Art. 957 - 963b OR, valid from 1 January 2013).

### 2. Details, itemization and explanations about items in the balance sheet and income statement:

<b>a) UBS Switzerland AG Cover Pool Liquidity</b>	<b>367'752'413</b>	<b>2'023'310'407</b>
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This consists of the following items:

<b>Liquidity Reserve Fund Ledger</b>	<b>4'197'599</b>	<b>5'371'158</b>
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Liquid funds reserved for securing the current payment readiness (30 days) for expenses of the company and for the payments required according to the calculation for conditionally agreed swaps.

<b>Pre-Maturity Liquidity Ledger</b>	<b>363'554'814</b>	<b>2'017'939'249</b>
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This obliges the company to set up sufficient liquid funds made available by UBS Switzerland AG, 270 days before the due date of a covered bond, and up until the repayment deadline for said bond, to secure the repayment.

#### b) Net earnings from Guarantee Fee

Corresponds to the Guarantee Fee which is paid monthly by the UBS AG London Branch of UBS Hypotheken AG for the issued guarantee.

#### c) Other operating expenditure

This item is mainly composed of the Collateral Differential, which is paid monthly by UBS Hypotheken AG to UBS Switzerland AG, from the Guarantee Fee received by the UBS London Branch, as payment for the transfer of securities (domestic, first class mortgage receivables). This corresponds to the difference between the Guarantee Fee and the Guarantor Spread Amount.

<b>3. Total amount for securities ordered by Group companies</b>	<b>8'251'951'751</b>	<b>13'291'494'611</b>
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Guarantees in favour of UBS Switzerland AG for the bonds issued under the UBS Covered Bond programme. The guarantees are secured by the mortgage receivables of UBS Switzerland AG assigned as collateral, and the mortgage notes securing them.

### 4. Number of employees

UBS Hypotheken AG does not have any staff. The personnel expenditure only contains the remuneration for two external members of the board of directors.

Zürich, 15 April 2016

  
Reto Husmann  
Member of the Board of Directors

  
Kaspar Hofmann  
President of the Board of Directors

Annual report for the year ended 31 December 2015

Proposed appropriation of available earnings

## UBS Hypotheken AG, Zürich

(in CHF)

	2015	2014
<b>Profit for the year</b>	320'920	466'634
Balance carried forward from prior year	18'816	12'182
<b>Balance sheet profit</b>	339'736	478'816
<b>Appropriation of earnings</b>		
Appropriation to statutory reserve	0	0
Dividend	330'000	460'000
Balance carried forward	9'736	18'816

Zurich, 15 April 2016



Reto Husmann  
Member of the Board of Directors



Kaspar Hofmann  
President of the Board of Directors

# UBS Hypotheken AG, Zurich

## Situation report

### General information

UBS Hypotheken AG was founded on 4. September 2009. The sole objective is to provide the guarantee in favour of bond creditors for the the bonds issued by UBS AG (London Branch) under the Covered Bond programme. The inland mortgage receivables assigned as collateral by UBS Switzerland AG together with the mortgage notes securing them (security portfolio) serve as surety for UBS Hypotheken AG. Should UBS AG fall in arrears to the bond creditors, UBS Hypotheken AG must be able to provide the guarantees as specified and serve the bond creditors fully and in a timely manner.

### Organisation

The processing of all operational tasks is assigned to an external service provider (Administration Services Provider, Collateral Holding Agent, Asset Monitoring, Cover Pool Auditor), to UBS AG/UBS Switzerland AG (Cash Manager, Cover Pool Management, Accounting, Legal, Controlling), and to SIX SIS (administration of the register mortgage notes).

The external service providers, UBS AG/UBS Switzerland AG, are subject to very extensive, contractually defined automated routines. When certain predefined events occur the relations to the UBS Group have to be transferred to an independent service provider.

UBS Hypotheken AG does not have any staff of its own.

### Business activities – bonds

UBS AG (London Branch) has not issued any new bond under the Covered Bond programme. The following bonds were repaid on the maturity date:

Series	Amount	Maturity
6	Euro 1'000'000'000	10.04.2015
10	USD 1'500'000'000	23.01.2015

The following bonds guaranteed by UBS Hypotheken AG were still outstanding on 31 December 2015:

Series	Amount	Interest	Maturity
2	Euro 1'000'000'000	3.875%	02.12.2019
4	Euro 1'250'000'000	4.000%	08.04.2022
5	Euro 1'000'000'000	3.000%	06.06.2016
7	NOK 300'000'000	2.200%	15.03.2019
8	NOK 700'000'000	2.450%	15.09.2023
9	Euro 1'500'000'000	2.250%	10.01.2017
11	USD 361'000'000	2.250%	30.03.2017 *)
12	USD 1'250'000'000	0.750%	24.03.2016
13	USD 150'000'000	0.618%	08.04.2016
14	Euro 1'000'000'000	1.375%	16.04.2021

\*) Partial repurchase of USD 1'638'940'000 with value 18.12.2015

Zürich, 15 April 2016

  
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Member of the Board of Directors

  
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President of the Board of Directors

**Situation report (continued)**

Starting 270 days before the maturity date of Covered Bonds and up until its repayment deadline, the company is obliged to set aside sufficient funds to secure the repayment. These are provided by UBS AG. Work was started on 10 November 2015 on setting up this liquidity in the Pre-Maturity Liquidity Ledger for the bonds that mature in March, April and June 2016.

**Business activities – security portfolio**

The key figures for the security portfolio are published monthly. They have not given cause for any special remarks.

**Business activities – founding of UBS Switzerland AG**

With the founding of UBS Switzerland AG, the Swiss mortgage business of UBS AG was transferred to UBS Switzerland AG. The transfer included the assignment of the functions associated with the mortgage pool, of Assignor (and the Servicers which that covers) and Originator, as well as the functions as Account Bank and Cash Manager. Moreover UBS AG has undertaken not to issue any more Covered Bonds. The existing bonds will run their course as planned, but will not be replaced by new issues.

The 98% holding in UBS Hypotheken AG was transferred by UBS AG to UBS Switzerland AG.

UBS AG and UBS Switzerland AG are mutually liable to each other for all claims and obligations that existed at the time of the transfer. Covered Bond holders may assert their claims against either UBS AG or against UBS Switzerland AG.

**Risk assessment**

The duty of the Board of Directors lies in supervising the ongoing business operations, which must be carried out exclusively within the framework of the contractual provisions.

The Board of Directors performed its annual risk assessment on 28 August 2015, subdivided into the categories "Structural risks", "Counterparty risks", "Credit risks" and "Operational risks". For none of the said risk categories was the likelihood of occurrence classed as "high" .

Zürich, 15 April 2016

  
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