



UBS (Luxembourg) Issuer SA

Annual Report 2016



UBS (Luxembourg) Issuer SA
33A, avenue J.F. Kennedy
L-1855 Luxembourg

R.C.S. Luxembourg B207565

Board of Directors

Holger Pfeiffer
Chairman

CEO, Executive Director
UBS Luxembourg Financial Group Asset Management S.A.

Christian Borner
Member

Managing Director
UBS Switzerland AG (resigned with effect from 31 May 2017 or the date of receipt of the CSSF's non-objection regarding the co-optation of Mr. Christian Schoen by mail, whichever is later)

Hermann Kranz
Member

Managing Director
UBS Europe SE, Luxembourg Branch

Michael Zahn
Member

Managing Director
UBS AG, London Branch (since 14 February 2017)

A handwritten signature in black ink, appearing to be "A. Zahn", located at the bottom right of the page.

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Independent auditor's report

To the Shareholders of
UBS (Luxembourg) Issuer SA
33A, avenue J.F. Kennedy
L-1855 Luxembourg

Following our appointment by the Board of Directors dated 18 July 2016, we have audited the accompanying annual accounts of UBS (Luxembourg) Issuer SA, which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the period from 7 July 2016 (date of incorporation) to 31 December 2016, and a summary of significant accounting policies and other explanatory information.

Board of Directors responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of UBS (Luxembourg) Issuer SA as of 31 December 2016, and of the results of its operations for the period from 7 July 2016 (date of incorporation) to 31 December 2016 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Oliver CLOESS

Luxembourg, 22 May 2017

Abridged Balance Sheet – Assets

expressed in EUR

	Note	<u>31.12.2016</u>
A. Subscribed capital unpaid		0.00
I. Subscribed capital not called		0.00
II. Subscribed capital called but unpaid		0.00
B. Formation expenses		0.00
C. Fixed assets		0.00
I. Intangible assets		0.00
II. Tangible assets		0.00
III. Financial assets		0.00
D. Current assets		205,919.11
I. Stocks		0.00
II. Debtors	3	144,548.18
a) becoming due and payable within one year		144,548.18
b) becoming due and payable after more than one year		0.00
III. Investments		
IV. Cash at bank and in hand	4	61,370.93
E. Prepayments		0.00
TOTAL ASSETS		205,919.11
<u>Off Balance Sheet</u>		<u>31.12.2016</u>
Fiduciary Assets (Fair value)	5	3,493,253,505.61

The accompanying notes are integral part of the accounts.



Abridged Balance Sheet – Capital, Reserves and Liabilities

expressed in EUR

	Note	<u>31.12.2016</u>
A. Capital and reserves	6	31,000.00
I. Subscribed capital		31,000.00
II. Share premium account		0.00
III. Revaluation reserve		0.00
IV. Reserves		0.00
V. Profit or loss brought forward		0.00
VI. Profit or loss for the financial year		0.00
VII. Interim dividends		0.00
VIII. Capital investment subsidies		0.00
B. Provisions	7	36,156.56
C. Creditors	8	138,762.55
a) becoming due and payable within one year		138,762.55
b) becoming due and payable after more than one year		0.00
D. Deferred income		0.00
TOTAL CAPITAL, RESERVES AND LIABILITIES		205,919.11
<u>Off Balance Sheet</u>		<u>31.12.2016</u>
Fiduciary Notes in issue (Fair value)	9	3,493,253,505.61

The accompanying notes are integral part of the accounts.



Abridged Profit and Loss Account

expressed in EUR

	Note	7.7.2016 - 31.12.2016
1. to 5. Gross profit or loss	10	4.68
6. Staff costs	11	0.00
a) Wages and salaries		0.00
b) Social security costs		0.00
i) relating to pensions		0.00
ii) other social security costs		0.00
c) Other staff costs		0.00
7. Value adjustments		0.00
a) in respect of formation expenses and of tangible and intangible fixed assets		0.00
b) in respect of current assets		0.00
8. Other operating expenses		0.00
9. Income from participating interests		0.00
a) derived from affiliated undertakings		0.00
b) other income from participating interests		0.00
10. Income from other investments and loans forming part of the fixed assets		0.00
a) derived from affiliated undertakings		0.00
b) other income not included under a)		0.00
11. Other interest receivable and similar income		0.00
a) derived from affiliated undertakings		0.00
b) other interest and similar income		0.00
12. Share of profit or loss of undertakings accounted for under the equity method		0.00
13. Value adjustments in respect of financial assets and of investments held as current assets		0.00
14. Interest payable and similar expenses		-4.68
a) concerning affiliated undertakings		-4.68
b) other interest and similar expenses		0.00
15. Tax on profit or loss	12	0.00
16. Profit or loss after taxation		0.00
17. Other taxes not shown under items 1 to 16		0.00
18. Profit or loss for the financial year		0.00

The accompanying notes are integral part of the accounts.

Notes to the Annual Accounts

Note 1 – General

UBS (Luxembourg) Issuer SA (the "Company") was incorporated as a "société anonyme" in the Grand Duchy of Luxembourg on 7 July 2016, qualifying as a securitization company ("société de titrisation") within the meaning of the Luxembourg act dated 22 March 2004 relating to securitization, as amended (the "Securitization Act 2004"). The Company's registered office is at 33A, avenue J.F. Kennedy, 1855 Luxembourg, Luxembourg.

The Company is incorporated for an unlimited duration.

The corporate objects of the Company are to enter into, perform and serve as a vehicle for any securitization transactions as permitted under the Securitization Act 2004 and to enter into any agreement and perform any action necessary or deemed helpful for the purpose of carrying out transactions permitted by the Securitization Act 2004, as far as they relate to securitization transactions.

The Company may act as a fiduciary ("fiduciaire") under the Luxembourg act dated 27 July 2003 relating to trust and fiduciary contracts, as amended (the "Trust and Fiduciary Contracts Act 2003") in order to issue, on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of one or more investors, fiduciary instruments in accordance with the Trust and Fiduciary Contracts Act 2003 (the Fiduciary Instruments). The Board is entitled to create one or more compartments (referencing the assets of the Company relating to an issue by the Company of securities). The Company shall create a separate fiduciary estate ("patrimoine fiduciaire") in connection with each series of Fiduciary Instruments issued by it.

The Company is supervised and authorized to exercise its activities by the Commission de Surveillance du Secteur Financier ("CSSF").

The accounting year of the Company shall begin on 1 January and shall terminate on 31 December of each year. The accounting year 2016 of the Company is shortened due to its intra-year incorporation, i.e. begins on 7 July 2016 and terminates on 31 December 2016.

Consolidation

The Company is a wholly owned subsidiary of UBS AG, a credit institution incorporated in Switzerland. The annual accounts of the Company are included in the consolidated annual accounts of UBS Group AG, which are available at UBS Group AG, P.O. Box, CH-8098 Zurich, Switzerland.

Note 2 – Summary of Significant Accounting Policies

The annual accounts are denominated in Euro ("EUR") and have been prepared in accordance with Luxembourg legal and regulatory requirements ("Luxembourg GAAP"), notably with Title II of the law of 19 December 2002 as amended relating to the register of commerce and companies, bookkeeping,



company annual accounts and modifying certain other legal dispositions (the "Accounting Law"). Accounting policies and valuation rules are, besides the ones laid down by the Accounting Law, determined and applied by the Board of Directors.

In particular, the following accounting policies have been used:

Conversion of foreign currency

The Company maintains its accounts in Euro ("EUR") and the annual accounts have been drawn up using this currency.

Assets and liabilities in other currencies - apart from tangible and intangible assets - have been converted into the balance sheet currency according to the closing rate at the balance sheet date.

The profit and loss account includes all realized gains and losses and unrealized gains and losses resulting from exchange rate movements.

Revenue and costs in other currencies have been converted into EUR according to the exchange rate of the end of the month in which the revenues and costs have been booked.

Debtors

Accounts receivable are recorded at nominal value minus any necessary value adjustments.

Provisions for liabilities and charges

Provisions are recorded for recognizable risks and uncertain liabilities.

Creditors

Creditors are recorded at reimbursement value.

Income

Income is generally recorded on an accrual basis.

Use of estimates

The generally accepted accounting principles in Luxembourg requires the Board of Directors to make estimates that affect the reported amounts of assets and liabilities and the reported amounts in the profit and loss account during the year. These accounting estimates reflect the Board of Directors' best judgment and actual results could differ from those estimates.

Note 3 – Debtors

The debtors in the amount of EUR 144,548.18 represent accrued issuance fee receivables for the notes issued for the month of December 2016. All debtors consist of affiliated undertakings only.

Note 4 – Cash at bank and in hand

Cash includes an amount of EUR 61,370.93 placed with an entity belonging to the UBS Group – UBS Europe SE, Luxembourg Branch.

Note 5 – Fiduciary Assets

For Series 2015-4, 2015-5, 2016-1 and 2016-4 Underlying Assets are comprised of US Treasuries and/or 91 Day T-Bills, plus any cash issuance proceeds not invested into US Treasuries or 91 Day T-Bills and any accrued securities lending fee agreed with the borrower of the US Treasuries and/or 91 Day T-Bills.

For Series 2016-2 the Underlying Assets are comprised of the portfolio of reference obligations as defined in the Note documentation and an interest swap agreement under which the Company pays the interest received on the reference obligations and receives quarterly interest amounts.

For Series 2016-3 the Underlying Assets are comprised of a swap agreement under which the Company pays any amount received on the collateral provided by the swap counterparty and receives quarterly fixed interest amounts and a final payment equal to the redemption amount of the Notes.

To the extent collateral is provided by securities borrowers or swap counterparties it is deemed an Underlying Asset as well, however, collateral does not impact the noteholder's risk and return position (except for enforcement scenarios).

The Valuation of the Notes (and the Underlying Assets, respectively) is provided by the respective Calculation Agent and typically based on market values obtained from market data service providers as Bloomberg, Reuters or Telekurs.

Note 6 – Subscribed capital

The Company has been incorporated with a subscribed and completely paid up capital of EUR 31,000, divided into 31,000 registered shares with a par value of EUR 1 each.

Note 7 – Provisions

As at 31 December 2016, provisions in the amount of EUR 36,156.56 relate mainly to accruals for external audit fees as well as professional fees (corporate secretary, tax advisory).

Note 8 – Creditors

As at December 31, 2016 creditors relate mainly to Safekeeping Fees due to UBS Europe SE, Luxembourg Branch as well as Facilitation Fees to be paid to UBS Luxembourg Financial Group Asset Management S.A. Both entities are affiliated undertakings. All creditors relate to the fees for the month of December 2016 only.

Note 9 – Summary of Fiduciary Notes Issuance Program

Unless otherwise indicated definitions used herein shall have the same meaning as in the Company's base prospectus ("Base Prospectus") for its EUR 10,000,000,000 Fiduciary Note Program ("Programme") pursuant to the Luxembourg act dated 27 July 2003 relating to trust and fiduciary contracts, as amended.

Under the Programme, the Company (in the following also the Fiduciary) from time to time issues Notes and in conjunction therewith buys or sells Fiduciary Assets or enters into Fiduciary Agreements, always acting on a fiduciary basis, i.e. in its own name but at the sole risk and for the exclusive benefit of the Noteholders. Notes of any kind may be issued, including but not limited to Notes relating to a specified index and/or exchange traded fund or a basket of indices and/or exchange traded funds ("Index/ETF Linked Notes"), a specified share or a basket of shares, a specified American depositary receipt or global depositary receipt or a basket thereof ("Equity Linked Notes") and a specified fund or basket of funds ("Fund Linked Notes") or any combination of the foregoing. Each issue of Notes will be issued on the relevant Terms and Conditions as set out in the Base Prospectus and any applicable Additional Terms and Conditions as set out in the relevant Pricing Supplement. Notes are issued in the form of registered Global Notes. The maximum aggregate nominal amount of Notes outstanding will not at any time exceed EUR 10,000,000,000 (or currency equivalent), unless increased according to the Base Prospectus.

Each Note evidences the existence of a Fiduciary Contract in relation to the relevant Series of Notes governed by the Law between the Fiduciary and the relevant Noteholder under which the Fiduciary has conditional payment obligations to the relevant Noteholder equal to payments of a pro-rata share of principal, interest or any other sums received by the Fiduciary under the Fiduciary Assets and/or the Fiduciary Asset Agreements and/or conditional delivery obligations to the relevant Noteholder. The Fiduciary shall not be liable for or otherwise obliged to pay (a) any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note or (b) any tax, duty, withholding or other payment which arises in respect of any payment due to the Fiduciary under any Fiduciary Assets and/or any Fiduciary Asset Agreements and all payments made by the Fiduciary shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. The Notes do not constitute direct debt obligations of the Company but are solely fiduciary obligations of the Fiduciary and may only be satisfied out of the Fiduciary Assets and/or Fiduciary Asset Agreements of the relevant Series. Such payment obligations are conditional upon the due and timely performance by each Fiduciary Asset Obligor of its obligations, including in respect of payments and deliveries, under the relevant Fiduciary Asset Agreements or Fiduciary Assets. A Noteholder has no direct right of action against any Fiduciary Asset Obligor to enforce its rights under the Notes or the obligations of the Fiduciary Asset Obligor under the relevant Fiduciary Assets and/or any Fiduciary Asset Agreements.

The Fiduciary makes no representation or warranty and assumes no liability for or responsibility or obligation in respect of the legality, validity or enforceability of the Fiduciary Assets and/or the Fiduciary Asset Agreements, the performance and observance by any Obligor of any of its obligations in respect of any of the Fiduciary Asset Agreements or the recoverability of any monies due or to become due under the Fiduciary Assets and/or the Fiduciary Asset Agreements.

The Base Prospectus is approved by the CSSF and the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Euro MTF Market.

Fiduciary Assets and Fiduciary Agreements related to:

- US Treasury Enhanced Yield Fiduciary Notes consist of US Treasury Bills, cash and a Global Master Securities Lending Agreement ("GMSLA") with UBS AG, London Branch, segregated for each of Series 2015-4, 2015-5, 2016-1 and 2016-4.
- EUR 8,240,000 High Yield Bond Basket Fiduciary Notes (Series 2016-2) consist of a basket of High Yield Bonds, cash and a Swap Confirmation related to an ISDA Agreement between UBS AG, London Branch and the Company.
- USD 232,800,000 Floating Rate Fiduciary Notes (Series 2016-3) consist of cash and a Swap Confirmation related to an ISDA Agreement between UBS AG, London Branch and the Company.



Notes in issuance as of 31 December 2016

Transaction	Issuance Date	Maturity Date		31.12.2016	Interest Rate		
US Treasury Enhanced Yield Fiduciary Notes, 2015-4 Issuance XS1298447522	USD	1,000,000,000	15/10/2015	12/10/2017	100.0000%	100.1898%	0.86032789% p.a.
US Treasury Enhanced Yield Fiduciary Notes, 2015-5 Issuance XS1310151607	USD	953,940,000	19/11/2015	16/11/2017	100.0000%	100.1363%	1.01567127% p.a.
US Treasury Enhanced Yield Fiduciary Notes, 2016-1 Issuance XS1350296536	USD	975,960,000	27/01/2016	10/03/2023	100.0000%	100.0561%	1.03071097% p.a.
EUR 8,240,000 High Yield Bond Basket Fiduciary Notes, 2016-2 Issuance XS1346295170	EUR	8,240,000	12/02/2016	09/08/2021	100.0000%	109.0220%	0.81024266% p.a.
USD 232,800,000 Floating Rate Fiduciary Notes, 2016-3 Issuance XS1365194684	USD	232,800,000	18/02/2016	07/03/2017	100.0000%	99.9743%	4.06% p.a.
US Treasury Enhanced Yield Fiduciary Notes, 2016-4 Issuance XS1497750130	USD	500,000,000	06/10/2016	29/09/2023	100.0000%	100.1942%	3m USD LIBOR + 0.38% p.a.

* UBS (Luxembourg) issuer SA substituted UBS (Luxembourg) S.A. as Fiduciary at the respective Substitution Date.
 ** US Treasury Enhanced Yield Fiduciary Notes are extendible on a three-month basis.

Note 10 – Gross Profit

The net turnover includes issuance fees earned from UBS AG, London Branch of EUR 474,290.22.

On the 28th of July 2016, with effect of 7th of July 2016, the Company entered with UBS AG, London Branch into an operating cost transfer agreement. In the financial year 2016, EUR 48,573.42 costs were re-charged and related income received.

EUR	FY 2016
Issuance fees received	474,290.22
Income from cost recovery agreement	48,573.42
Net turnover	522,863.64
External charges	522,858.96
Gross profit	4.68

The vast majority of the external charges consist of commissions paid to UBS (Europe) SE, Luxembourg Branch and UBS Luxembourg Financial Group Asset Management S.A. as well as professional fees for legal, tax, audit and accounting services received.

EUR	FY 2016
Commissions paid in relation to Fiduciary Assets	470,915.33
Professional fees	44,247.30
Regulatory fees	7,696.33
Gross profit	522,858.96





Note 11 – Staff costs

The Company employed no staff during the business year.

No remuneration has been paid to the members of the Board of Directors in respect of their duties.

Note 12 – Tax on profit or loss

As of 31 December 2016 the Company is subject to normal corporate taxes applicable in Luxembourg.

Note 13 – Subsequent events

Mr. Michael Zahn has been appointed as B Director with effect as of 14th February 2017. Christian Borner resigned as A Director with effect from 31 May 2017 or the date of receipt of the CSSF's non-objection regarding the co-optation of Mr. Christian Schoen by mail, whichever is later.

On 22 March 2017, UBS Luxembourg Financial Group Asset Management S.A. informed the Company about its resignation as Facilitation Agent and Selling Agent for the Programme and more specifically for Series 2015-4, 2015-5, 2016-1 and 2016-4.

The Company informed the affected Noteholders with same date about the resignation and the Company's intention to appoint Lantern Structured Asset Management Limited as successor facilitation agent and successor selling agent. The resignation of UBS Luxembourg Financial Group Asset Management S.A. and appointment of Lantern Structured Asset Management Limited became effective as of 6 May 2017.

Two handwritten signatures in black ink. The signature on the left is "H. Pfeiffer" and the signature on the right is "M. Zahn".

Holger Pfeiffer
Director