# Subordinated bonds

## Corporate hybrids: More defensive high-beta play

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**Related publications**

- More defensive high-beta play (31.10.2012)
- Veolia recovering (09.01.2013)
- More than we bargained for (29.01.2013)
- Yield pickup with corporate hybrids (25.11.2010)

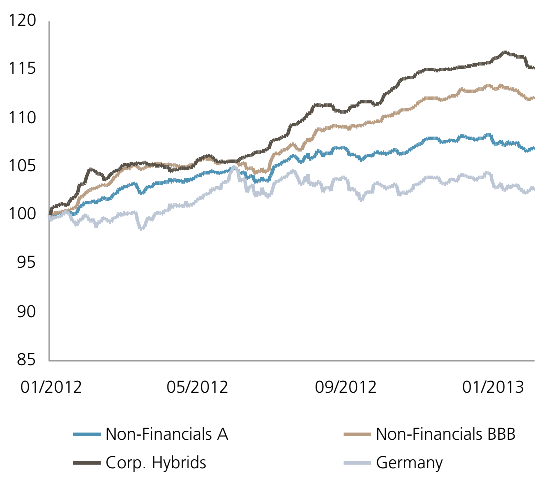
Source: UBS

- Corporate hybrids offer the opportunity to invest in a subordinated bond of a solid corporation for a still attractive yield pickup. We expect a further normalization of hybrid spreads over the coming months as well as mid-to-high, single-digit total returns on selected instruments.
- A marked deterioration in sentiment remains the key risk for the asset class, though. However, the corporate hybrid segment held up remarkably well throughout the volatile periods of the recent past. We continue to see the segment as a lower risk alternative to other higher beta assets including high yield bonds or stocks.
- We list specific bond recommendations in this report and highlight our preferred hybrid issues.
- We also initiate coverage on the recently issued EDF, Veolia and Telekom Austria instruments and provide updated summaries of the structural features for all the hybrids in our coverage universe.

**We remain constructive on the asset class**

The corporate hybrid segment performed exceptionally well in 2012 and returned more than 15% over the past year (see Fig. 1). The performance in 2012 clearly was exceptional though, and it would be unreasonable to expect similar returns in 2013. However, with government bonds remaining at record low levels and markets remaining cautiously optimistic with regards to the euro crisis and the US debt ceiling issues (at least for now), supportive macro factors remain in place for the asset class. Valuations also remain appealing, and with spreads to call on bonds with comparatively investor-friendly structures in the three to four hundreds (see Fig. 5), we still see tightening potential. Over the coming 12 months, we expect total returns in the mid to high single digits on selected instruments.

**Fig.1: Total return comparison**




Source: UBS, Iboxx, as of 07.02.2013

### Rising tide lifts all boats

In the current environment, many high beta credit assets have performed well and continue to promise decent returns. The mentioned technical tailwinds and the constructive market sentiment should in general act as a key support for all risky assets. However, even though most higher beta segments are benefiting from similar tailwinds, their performance may still vary greatly – depending on the blocks and potholes markets will meet further down the road. The credit quality of the cyclical names figuring dominantly in European crossover indices is, for example, likely to remain under pressure as a result of the still very subdued economic outlook, and spreads may react negatively to the ongoing rating slide. Corporate bonds from peripheral countries, on the other hand, would be likely underperformers when the market's focus returns to Greece's unsustainable debt situation, the risk of a multi-notch downgrade of Spain or the threat of an unexpected outcome of elections in Italy. Bank hybrids may remain under pressure as a result of the evolving regulatory framework, while the deteriorating asset quality could also take a toll on valuations in this year (for further details on the financial sector, see also "More than we bargained for," published 29.01.2013).

### Attractive risk return relationship

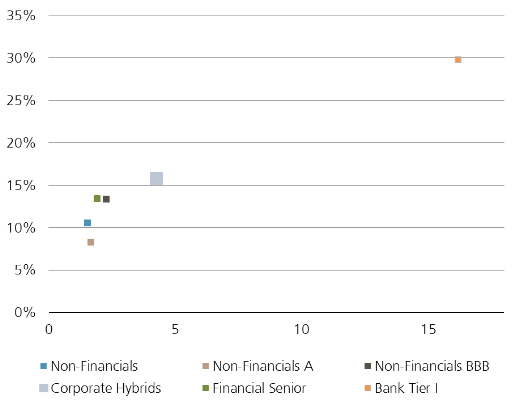
Part of the reason we like corporate hybrids is the good risk/return relationship they offer. This was underlined in 2012, when corporate hybrids posted very strong returns while their spread volatility remained around the level of senior bonds (see Fig. 2).

Take the example of the hybrid securities of GECC, which are currently offering a spread to call of around 400bps. In order to get a spread in this range with a senior bond, investors would need to make significant concessions in terms of credit quality and expose themselves to highly cyclical issuers. As shown in Fig. 3, the spread to call on GECC hybrids roughly corresponds to senior spread levels of Peugeot. The spread of the Bayer hybrid roughly matches the senior levels of Renault, whereas the Henkel hybrid is trading in line with senior bonds of Lafarge.

As depicted in Fig 4, investors appear to have become increasingly more comfortable with the asset class over the past years. The spread beta of corporate hybrids has decreased materially since 2006 and remained remarkably low during the various sovereign risk driven volatility periods in recent history. To us, this makes sense: The issuers of corporate hybrid securities usually enjoy comparatively strong credit profiles as a result of their diversification, their typically low financial leverage, their low cyclical exposure and their strong liquidity profiles. The issuers of corporate hybrids are therefore in a much better position to deal with closed capital markets, poor business conditions and acute systemic fears than smaller and less diversified players. As long as the credit quality of an issuer of a particular hybrid hasn't deteriorated to the point that a call on the first call date becomes unlikely or that mandatory interest deferral clauses become an issue (none of these factors has been an issue for the instruments

**Fig. 2: 2012 Risk return comparison**

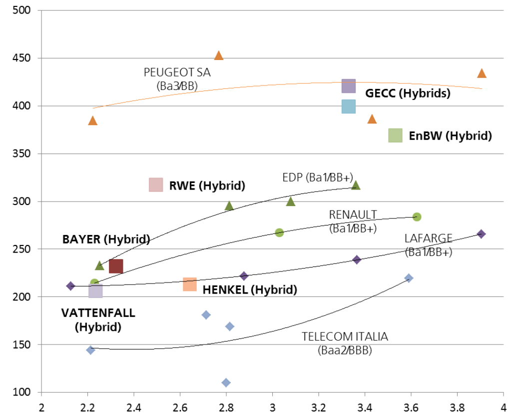
Total return (y-axis) by spread volatility (x-axis)




Source: UBS, Iboxx, as of 31.12.2012

**Fig. 3: Comparable senior spreads**

Spread to call of hybrids versus senior spreads to maturity by duration




Source: UBS, Bloomberg, as of 07 February 2013 in our coverage universe during the sovereign crisis), we expect these instruments to remain more defensive than most high yield bonds, stocks or bank hybrids. Yield-seeking investors skeptical about the future market developments should therefore value the comparatively more defensive characteristics of corporate hybrids.

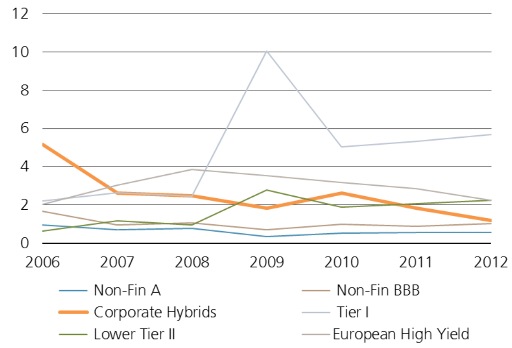
**Investors still well compensated for hybrid-specific risks**

As we have highlighted frequently in this publication series, the indentures of corporate hybrids are full of features that are unheard of in the senior investment grade world. In addition to the risks typically associated with senior bonds, the risk premiums on corporate hybrids therefore also need to compensate investors for various structural (hybrid-specific) risks. Given the still elevated spreads and the generally good shape issuers are currently in (most of the risks we highlight below correlate strongly with the declining credit quality of an issuer), we believe that risk premiums are at present generous in most cases (see Fig. 5).

However, investors should nevertheless be aware of the risks listed below and familiarize themselves with the structural features of each instrument before committing to an investment. A summary of the key structural features for all the issues in our coverage universe can be found in the back of this report.

**Fig. 4: Beta comparison**

Spread beta over the past years




Source: UBS, Iboxx, as of 07 February 2013

<u>Subordination risk</u>

Corporate hybrids are deeply subordinated debt instruments and the claims of hybrid debt holders usually rank only senior to equity but junior to senior debt and most other claims against an issuer. Should the issuer of a hybrid bond hence default and be liquidated, hybrid holders would as a consequence only receive any money back after all senior ranking obligations have been honored, which would normally result in very low recovery rates for them. In order to compensate for this subordination risk, spreads of deeply subordinated instruments should be, as a rule of thumb, at least 1.6x higher than those of senior instruments.

<u>Coupon deferral / cancellation risk</u>

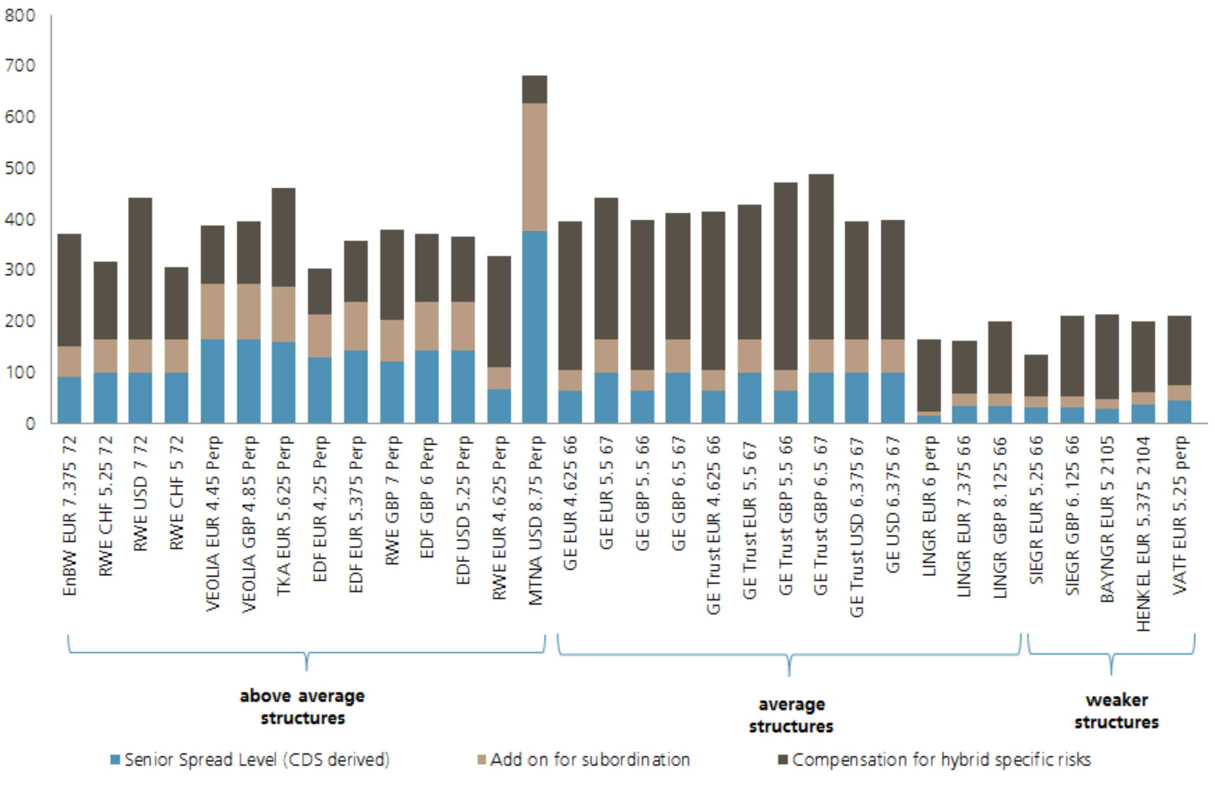
Rating agencies count a higher proportion of a hybrid debt instruments towards an issuer's equity capital if the structural features of a bond not only cushion senior debt holders in a default scenario but are designed to absorb losses and preserve an issuer's liquidity and capital position long before such an event occurs. For this reason, coupons of hybrid bonds are deferrable. Among the bonds in our coverage universe, the decision to defer/cancel a coupon is usually either

- at the discretion of the issuer (on most bonds in our coverage universe, issuers can elect not to pay a coupon as long as they haven't paid a dividend or in other forms distributed cash to shareholders or parity securities)
- or tied to a financial ratio or a minimum credit rating

Cancelling a coupon would send a very negative signal to capital markets and – given the discretion/choice – issuers would probably only resort to this measure in a near bankruptcy scenario. All else being equal, coupon deferral risk is therefore significantly higher with structures where the deferral decision is not made by the issuer but is directly linked to a financial ratio or a specific credit rating – particularly if the trigger "bites" already at a reasonably high level. Due to the higher structural risks of bonds with mandatory deferral language, we have listed in Fig. 5 all issues with mandatory deferral language in the "weak category."

When coupons can be deferred, another important aspect to consider is whether they are cumulative or non-cumulative. If coupons are cumulative, it basically means that deferred coupons could be paid at a later stage, whereas non-cumulative coupons are in effect cancelled.

**Fig. 5: Compensation for hybrid-specific risks**




Source: UBS, Bloomberg, as of 07 Februar 2013

<u>Extension risk</u>

Presumably, few investors plan to hold on to a hybrid instrument until the stated final maturity or even perpetuity, and they hence trust that an issuer will repay an instrument early. However, this is of course never guaranteed and extension risk therefore refers to the risk that a particular issue is not called on a specific call date, which could also entail mark-to-market losses. It is difficult to say whether a custom to call hybrids on their first call dates will develop similar to the financial tier 1 segment, as this asset class it is still in its very early days and as not many instruments have been outstanding long enough to take a general view here. In order to get a feel for the call probability of a bond and hence for extension risk, investors should therefore look at the call incentives an issuer may have rather than just relying on the possible reputational pressure to do so. Among the issues in our coverage universe, the main call incentives from the point of view of the issuer may include:

- Economic incentives – It would be cheaper for an issuer to issue a new hybrid instrument rather than leaving the existing one outstanding. The coupon on most older corporate hybrid issues, for example, steps up by 100bps after the first call dates and an issuer may therefore often have an economic incentive to call a bond (if market conditions or the credit profile of the issuer hasn't deteriorated materially since issuance, so that issuing a new bond wouldn't be more expensive than paying the higher rate)
- Reduced/removed equity credit – Rating agencies no longer treat the same proportion of a hybrid as equity. From the point of view of the issuer, paying an elevated coupon but no longer receiving equity credit may likely constitute a strong call incentive. As we explain below, the equity credit on the new hybrid format used by issuers recently (including EDF, Veolia and Telekom Austria) is for example "designed to expire" after the first call date, which should incentivize the issuer to call these bonds.
- Replacement capital covenants starting after the first call date – For most issuers, a binding RCC covenant is likely a significant burden for its financial policies. However, if an RCC becomes only effective after the first call date, an issuer can avoid this restraint by simply calling the bond, which therefore should also represent a certain call incentive.
- Equity credit no longer needed by the issuer – Issuers with sufficient headroom under their current ratings may no longer need to pay the higher coupon of a hybrid and decide to call the instrument without risking a downgrade.

Par call risk on some structures

Apart from the regular calls at the predefined call dates, issuers have usually reserved themselves the right to call their bonds at par, at another fixed price or on a "make-whole" basis, when a specific event occurs and when specific advantages of a hybrid instrument have disappeared for the issuer. From the investor's perspective, a make whole call should normally not pose any material risks. However, if an issuer has the right to call an instrument at a fixed price, investors could lose money whenever a bond is trading above that level.

As can be seen in our summaries in the back of this report, the following special events can typically be found in hybrid indentures:

- Gross-up event (issuer can be obliged to pay additional amounts, due to the introduction of withholding tax in a country)
- Accounting event (the hybrid can no longer be recorded as equity under IFRS or another accounting standard)
- Tax event (payments under the hybrid are no longer tax-deductible)
- Rating-agency event (complete or partial loss of equity credit with a relevant rating agency)

# Recommendations

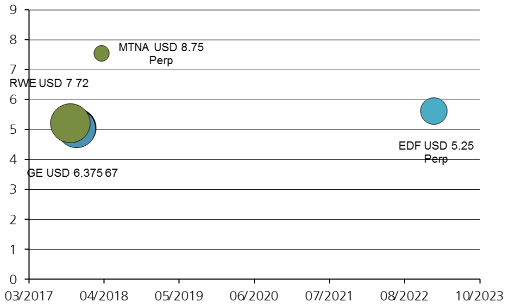
The non-dilutive characteristics of hybrid debt instruments have always made them attractive for issuers which cannot easily increase their equity capital – including several government controlled utilities. Given the ongoing rating pressures in the sector as a result of the weak demand for electricity, the weakening profitability and the high capex requirements, it is therefore not surprising that several utility issuers have already tapped the hybrid market in this year and brought close to EUR 7bn of new hybrid supply to the market.

The largest supply came thereby from government owned EDF (the French government currently holds a 84% stake in the issuer) who issued benchmark size bonds in EUR, GBP and USD. On the surface, the structure of its new bonds appears to differ from the new "standard" established by several issuers last year. On three of the four new bonds, the issuer offers, for example, a (small) step up already after the first call dates, whereas the step-up dates on the EUR 2020 perpetual also do not coincide with the reset dates for the reference rate. However, from an extension risk perspective, and in order to assess the probability of a call occurring on the first call date, we would argue that these differences are not material. In Fig. 5, we placed these bonds in the same "above average bucket" as the slightly older issues from RWE and EnBW. This is mainly due to the second step up of 75bps occurring precisely 20 years after the first call dates, which – as with the older issues – we see as a key feature. As explained previously, such a step up will cause S&P to stop assigning equity credit already after the first call date, which should provide the issuer with a more or less strong call incentive. From a valuation standpoint, we like the issuer's EUR 4.25% perpetual. The spread gap to RWE and Veolia is justified, in our view, given the stronger credit quality and the greater rating stability EDF is offering. Due to the relatively long reference rate reset periods and the resulting higher exposure to rate risks, we are less attracted, however, to the issuer's other bonds, hence our neutral stance on them.

The spread on offer on Veolia's new bonds is significantly higher than with EDF. However, Veolia senior ratings are weakly positioned at the high BBB level and a downgrade of either agency would take the hybrids into the high yield category, which should widen spreads slightly more. Although this is not currently our base case (see "Veolia recovering," published on 09.01.2013), we highlight this risk and consequently assign a neutral recommendation on the hybrids.

**Fig. 6: Relative value comparison USD**

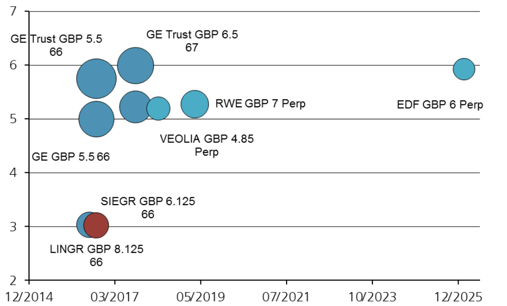
Yield to call and hybrid specific risks compensation (bubble size)




Source: UBS, Bloomberg, as of 07 Februar 2013

**Fig. 7: Relative value comparison GBP**

Yield to call and hybrid specific risks compensation (bubble size)

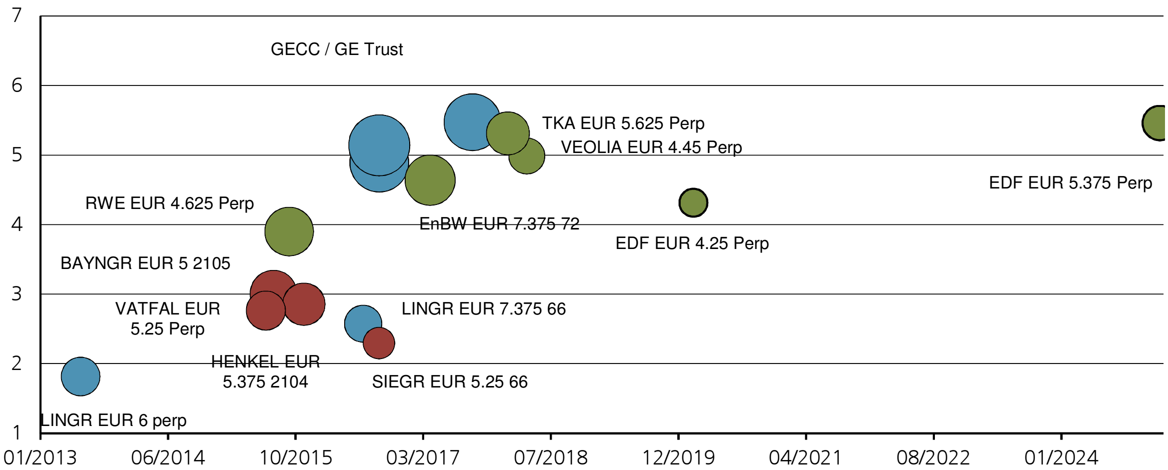



Source: UBS, Bloomberg, as of 07 Februar 2013

# Subordinated bonds

**Fig. 8: Relative value comparison EUR**

Yield to call and hybrid-specific risks compensation (bubble size)




Source: UBS, Bloomberg, as of 07 Februar 2013

The new hybrid issued by Telekom Austria is by contrast already rated BB+ by S&P. Its key structural features are very similar to the relatively investor friendly format recently used by most utility issuers. With a change of control clause, it also provides some protection against a Leveraged Buyout. From a valuation standpoint, we find the new bond reasonably attractive and see in it a good opportunity to diversify away from the utility issuers currently dominating the corporate hybrid market. Spreads on TKA are however likely to remain volatile. Even though Telekom Austria lowered its medium-term leverage guidance recently, competitive pressures at home as well as abroad will remain intense while the issuer continues to face stiff regulatory headwinds and will also remain exposed to exchange rate fluctuations. Although we expect the credit profile to stabilize over the longer run, we highlight that a further rating cut by either agency cannot be excluded at this stage.

As can be seen in Fig. 9, the case for the other instruments in our coverage universe remains largely unchanged. Although there remains some uncertainty as to the call probability of GECC's bonds, we continue to like its GBP and EUR-denominated issues, and where the valuation gap is not too large we maintain a preference for the directly issued bonds over the trust securities. In EUR, we also continue to like the bond of EnBW, which we see as slightly more comfortably positioned at the current rating level than RWE. We see this EUR bond as marginally more attractive also from a structural point of view.

# Subordinated bonds

## Fig. 9: Bond recommendations

| ISIN | Issuer | Maturity | Next call | Coupon<br>Current | <br>After next call | Ratings<br>MDY / S&P | Ind. yield (%)<br>to call | <br>to mat. | Ask price | Piece | Valuation | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUR** | | | | | | | | | | | | |
| XS0171231060 | LINDE FINANCE BV | Perpetual | 03.07.2013 | 6.000 | 3M€+337.5bps | Baa2 / BBB+ | 1.8 | 3.6 | 101.6 | 1 / 1 | fair | |
| FR0010034298 | CIE GEN ETAB MICHELIN | 03/12/2033 | 03.12.2013 | 6.375 | 3M€+295bps | Baa2 / BBB- | -6.9 | 2.7 | 111.4 | 1 / 1 | expensive | |
| XS0223129445 | VATTENFALL AB | Perpetual | 29.06.2015 | 5.250 | 3M€+295bps | Baa2 / BBB- | 2.8 | 3.2 | 105.6 | 1 / 1 | fair | mandatory deferral triggers |
| XS0225369403 | BAYER AG | 29.07.2105 | 29.07.2015 | 5.000 | 3M€+280bps | Baa3 / BBB- | 3.0 | 3.1 | 104.6 | 1 / 1 | fair | mandatory deferral triggers |
| XS0542298012 | RWE AG | Perpetual | 28.09.2015 | 4.625 | 5Y€+ 265bps | Baa2 / BBB- | 3.9 | 3.8 | 101.8 | 1 / 1 | fair | |
| XS0234434222 | HENKEL AG & CO KGAA | 25.11.2104 | 25.11.2015 | 5.375 | 3M€+285bps | Baa1 / BBB | 2.9 | 3.1 | 106.6 | 1 / 1 | fair | mandatory deferral triggers |
| XS0259604329 | LINDE FINANCE BV | 14.07.2066 | 14.07.2016 | 7.375 | 3M€+412.5bps | Baa2 / BBB+ | 2.6 | 4.1 | 115.5 | 1 / 1 | fair | |
| XS0266838746 | SIEMENS FINANCIERINGSMAT | 14.09.2066 | 14.09.2016 | 5.250 | 3M€+225bps | A2 / BBB+ | 2.3 | 2.5 | 110.1 | 1 / 1 | expensive | mandatory deferral triggers |
| XS0267166246 | GENERAL ELEC CAP CORP | 15.09.2066 | 15.09.2016 | 4.625 | 3M€+160bps | A2 / AA- | 4.9 | 2.2 | 99.1 | 50 / 1 | fair | |
| XS0491212451 | GE CAPITAL TRUST IV | 15.09.2066 | 15.09.2016 | 4.625 | 3M€+160bps | A2 / AA- | 5.1 | 2.2 | 98.3 | 50 / 1 | attractive | |
| XS0674277933 | ENBW | 02.04.2072 | 02.04.2017 | 7.375 | 5Y€+ 540.1bps | Baa2 / BBB- | 4.6 | 6.3 | 110.1 | 1 / 1 | attractive | |
| XS0877720986 | TELEKOM AUSTRIA AG | Perpetual | 01.02.2018 | 5.625 | 5Y€+485.9bps | Baa3 / BB+ | 5.3 | 5.8 | 101.3 | 1 / 1 | attractive | |
| XS0319639232 | GENERAL ELEC CAP CORP | 15.09.2067 | 15.09.2017 | 5.500 | 3M€+200bps | A2 / AA- | 5.4 | 2.7 | 100.2 | 50 / 1 | attractive | |
| XS0491211644 | GE CAPITAL TRUST II | 15.09.2067 | 15.09.2017 | 5.500 | 3M€+200bps | A2 / AA- | 5.5 | 2.7 | 100.1 | 50 / 1 | fair | |
| FR0011391820 | VEOLIA ENVIRONNEMENT | Perpetual | 16.04.2018 | 4.450 | 5Y€+360.3 | (P)Baa3 / BBB- | 5.0 | 4.8 | 97.6 | 100 / 100 | fair | |
| FR0011401736 | ELECTRICITE DE FRANCE | Perpetual | 29.01.2020 | 4.250 | 7Y€+302.1bps | (P)A3 / BBB+ | 4.3 | 4.5 | 99.6 | 100 / 100 | attractive | |
| FR0011401751 | ELECTRICITE DE FRANCE | Perpetual | 29.01.2025 | 5.375 | 12Y€+379.4bps | (P)A3 / BBB+ | 5.5 | 5.6 | 99.3 | 100 / 100 | fair | long rate reset periods |
| **GBP** | | | | | | | | | | | | |
| XS0259607777 | LINDE FINANCE BV | 14.07.2066 | 14.07.2016 | 8.125 | 3M£+412.5bps | Baa2 / BBB+ | 3.0 | 4.4 | 116.4 | 1 / 1 | fair | |
| XS0266840486 | SIEMENS FINANCIERINGSMAT | 14.09.2066 | 14.09.2016 | 6.125 | 3M£+225bps | A2 / BBB+ | 3.0 | 2.8 | 110.4 | 1 / 1 | expensive | mandatory deferral triggers |
| XS0267167566 | GENERAL ELEC CAP CORP | 15.09.2066 | 15.09.2016 | 5.500 | 3M£+161.5bps | A2 / AA- | 5.0 | 2.5 | 101.6 | 50 / 1 | attractive | |
| XS0491212535 | GE CAPITAL TRUST V | 15.09.2066 | 15.09.2016 | 5.500 | 3M£+161.5bps | A2 / AA- | 5.7 | 2.6 | 99.2 | 50 / 1 | illiquid | potential liquidity issues |
| XS0319640834 | GENERAL ELEC CAP CORP | 15.09.2067 | 15.09.2017 | 6.500 | 3M£+200bps | A2 / AA- | 5.2 | 3.0 | 105.2 | 50 / 1 | attractive | |
| XS0491211990 | GE CAPITAL TRUST III | 15.09.2067 | 15.09.2017 | 6.500 | 3M£+200bps | A2 / AA- | 6.0 | 3.1 | 102.0 | 50 / 1 | illiquid | potential liquidity issues |
| FR0011391838 | VEOLIA ENVIRONNEMENT | Perpetual | 16.04.2018 | 4.850 | 5Y£+362.9 | (P)Baa3 / BBB- | 5.2 | 4.7 | 98.5 | 100 / 100 | fair | |
| XS0652913988 | RWE AG | Perpetual | 20.03.2019 | 7.000 | 5Y£+510bps | Baa2 / BBB- | 5.3 | 5.9 | 108.8 | 100 / 100 | attractive | |
| FR0011401728 | ELECTRICITE DE FRANCE | Perpetual | 29.01.2026 | 6.000 | 13Y£+395.8bps | / | 5.9 | 6.0 | 100.6 | 100 / 100 | fair | long rate reset periods |
| **USD** | | | | | | | | | | | | |
| US36962G3M40 | GENERAL ELEC CAP CORP | 15.11.2067 | 15.11.2017 | 6.375 | 3M$+228.9bps | A2 / AA- | 5.1 | 3.0 | 105.5 | 5 / 1 | attractive | |
| US36830GAA22 | GE CAPITAL TRUST I | 15.11.2067 | 15.11.2017 | 6.375 | 3M$+228.9bps | A2 / AA- | 5.0 | 3.0 | 105.6 | 5 / 1 | fair | |
| XS0767140022 | RWE AG | 12.10.2072 | 12.10.2017 | 7.000 | 5Y$+575.4bps | Baa2 / BBB- | 5.2 | 6.3 | 107.3 | 2 / 2 | attractive | |
| XS0836559178 | ARCELORMITTAL | Perpetual | 28.03.2018 | 8.750 | 5Y$+794bps | Ba3 / B+ | 7.5 | 8.4 | 105.0 | 200 / 1 | fair | |
| USF2893TAF33 | ELECTRICITE DE FRANCE | Perpetual | 29.01.2023 | 5.250 | 10Y$+370.9bps | / | 5.6 | 5.7 | 97.2 | 100 / 1 | fair | |
| **CHF** | | | | | | | | | | | | |
| CH0136594352 | RWE AG | 04.04.2072 | 04.04.2017 | 5.250 | 5YCHF+438.9bps | Baa2 / BBB- | 3.5 | 4.9 | 106.6 | 5 / 5 | fair | |
| CH0185843049 | RWE AG | 26/07/2072 | 26.07.2017 | 5.000 | 5YCHF+ 465.7bps | Baa2 / BBB- | 3.6 | 5.0 | 105.8 | 5 / 5 | fair | |

Source: UBS, Bloomberg, as of 07 Februar 2013

## Subordinated bonds

| | ArcelorMittal USD 8.75 Perp | Bayer EUR 5% Perp | EnBW EUR 7.375% 2072 | EDF EUR 4.25% Perp (NC7) | EDF EUR 5.375% Perp (NC12) |
|---|---|---|---|---|---|
| **Issuer** | ArcelorMittal | Bayer AG | Energie Baden-württemberg AG | EDF - Electricité de France | EDF - Electricité de France |
| **Ownership** | Public | Public | Public | Gvt required to maintain at least 70% stake | Gvt required to maintain at least 70% stake |
| **Amount issued / outstanding** | \$650mn / \$650mn | €1.3bn / €1.3bn | €1bn / €1bn | €1.250 bn / €1.250 bn | €1.250bn / €1.250bn |
| **Issue Date** | September 2012 | July 2005 | October 2011 | January 2013 | January 2013 |
| **Maturity** | Perpetual | 29.07.2105 | 02.04.2072 | Perpetual | Perpetual |
| **First Call** | 28.03.2018 | 29.07.2015 | 02.04.2017 | 29.01.2020 | 29.01.2025 |
| **Swap spread at issuance** | | 180bps | 540.1bps | | |
| **Senior rating** | Ba1 (NEG) / BB+ (NEG) | A3 (STABLE) / A- (POS) | A3 (NEG) / A- (STABLE) | Aa3 (NEG) / A+ (STABLE) | Aa3 (NEG) / A+ (STABLE) |
| **Instrument rating** | Ba3 / B+ | Baa3 / BBB- | Baa2 / BBB- | (P)A3 / BBB+ | (P)A3 / BBB+ |
| **Fixed Coupon** | 8.750% | 5.000% | 7.375% | 4.250% | 5.375% |
| **Floating Coupon** | Coupon reset to 5Y\$+794bps in 2018, to 5Y\$+819bps and to 5Y\$+894 in 2038 | 3M€+ 280bps [100bps step up] | Coupon reset to 5Y€+ 540.1bps in 2017 [no step up], to 5Y€+565.1bps in 2022 [25bps step up] and to 5Y€+640.1bps in 2037 [75bps step up] | Coupon reset to 7Y€+302.1bps in 2020 [no step up], to 7Y€+327.1bps in 2023 [25bps step up] and to 7Y€+402.1bps in 2040 [75bps step up] | Coupon reset to 12Y€+379.4bps in 2025 [25bps step up] and to 12Y€+454.4bps in 2045 [75bps step up] |
| **Replacement capital language** | Intention based replacement language | Tight intention language ** | Intention to redeem with proceeds raised through issuance of shares or similar securities to hybrid. | Intention based language | Intention based language |
| **Optional deferral** | Yes | Yes | Yes | Yes | Yes |
| **Settlement after optional deferral** | Cash cumulative and compounding. | Cash cumulative (payable if above conditions no longer met) *** | Cash cumulative (but not compounding). | Cash cumulative and compounding. | Cash cumulative and compounding. |
| **Mandatory deferral** | - | Gross CF from operations/revenues < 7% | - | - | - |
| **Settlement after mandatory deferral** | - | Non-cumulative.<br>Voluntary payment option if new shares issued within certain time frame.<br>Mandatory payment if dividend is declared immediatly after interest payment date and certain other criteria are met. | - | - | - |
| **Special issuer calls** | Gross-up (par)<br>accounting event (101)<br>Tax event (101)<br>Rating agency event (101)<br>Clean up (make-whole)<br>Change of control (101) | Gross-up event (at par)<br>Tax event (greater of par or make-whole).<br>Clean-up call* (greater of par or make-whole) | Gross-up (par)<br>tax event (101 prior to first call / par thereafter)<br>accounting event (101 prior to first call / par thereafter)<br>rating agency event (101 prior to first call / par thereafter)<br>clean up call* (101 prior to first call / par thereafter) | Gross-up (par)<br>withholding tax (par)<br>tax event (101%)<br>accounting event (101%)<br>rating agency event (101%)<br>clean up call (101%) | Gross-up (par)<br>withholding tax (par)<br>tax event (101%)<br>accounting event (101%)<br>rating agency event (101%)<br>clean up call (101%) |
| **Comments** | Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | * Issuer has purchased 80% or more of aggregate principal<br>** intends to issue within preceeding 6 months parity securities or junior securities with same terms or shares<br>*** "generally no later than 10 years" | * Issuer has purchased 80% or more of aggregate principal | | |

The summaries on this page are indicative only. Investment decisions should always be based on the whole prospectus of every individual instrument.

## Subordinated bonds

| | EDF GBP 6% Perp | EDF USD 5.25% Perp | GECC EUR/GBP 2066 | GE Capital (Trusts) EUR/GBP 2066 | GECC EUR/GBP 2067 |
|---|---|---|---|---|---|
| **Issuer** | EDF - Electricité de France | EDF - Electricité de France | General Electric Capital Corp | GE Capital Trust IV & V | General Electric Capital Corp |
| **Ownership** | Gvt required to maintain at least 70% stake | Gvt required to maintain at least 70% stake | 100% GE | 100% owned by GECC | 100% GE |
| **Amount issued / outstanding** | £1.250bn / £1.250bn | $3bn / $3bn | €950mn / € 223mn<br>£400mn / £293mn | €728mn / €728mn<br>£107mn / £107mn | €1.5bn / €880mn<br>£600mn / £513mn |
| **Issue Date** | January 2013 | January 2013 | September 2006 | March 2010 | September 2007 |
| **Maturity** | Perpetual | Perpetual | 15.09.2066 | 15.09.2066** | 15.09.2067 |
| **First Call** | 29.01.2026 | 29.01.2023 | 15.09.2016 | 15.09.2016 | 15.09.2017 |
| **Swap spread at issuance** | | | €: 62bps | | €: 100bps |
| **Senior rating** | Aa3 (NEG) / A+ (STABLE) | Aa3 (NEG) / A+ (STABLE) | A1 (STABLE) / AA+ (STABLE) | | A1 (STABLE) / AA+ (STABLE) |
| **Instrument rating** | (P)A3 / BBB+ | (P)A3 / BBB+ | A2 / AA- | A2 / AA- | A2 / AA- |
| **Fixed Coupon** | 6.000% | 5.250% | €: 4.625%<br>£: 5.5% | €: 4.625%***<br>£: 5.5%*** | €: 5.5%<br>£: 6.5% |
| **Floating Coupon** | Coupon reset to 13Y£+395.8bps in 2026 and to 13Y£+470.8bps in 2046 | Coupon reset to 10Y$+370.9bps [25bps step up] in 2023 and to 10Y$+445.9bps in 2043 [75bps step up] | 3M€+ 160bps [100bps step up]<br>3M£+ 161.5bps [100bps step up] | 3M€+ 160bps [100bps step up]***<br>3M£+ 161.5bps [100bps step up]*** | 3M€+ 200bps [100bps step up]<br>3M£+ 200bps [100bps step up] |
| **Replacement capital language** | Intention based language | Intention based language | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. |
| **Optional deferral** | Yes | Yes | Yes | Yes | Yes |
| **Settlement after optional deferral** | Cash cumulative and compounding. | Cash cumulative and compounding. | Cash cumulative and compounding. Maximum extension period of 10 years. | Essentially same conditions as with underlying GECC debentures (see left). However, certain covenants are only enforceable by the Property Trustee | Cash cumulative and compounding. Maximum extension period of 10 years. |
| **Mandatory deferral** | - | - | - | - | - |
| **Settlement after mandatory deferral** | - | - | - | - | - |
| **Special issuer calls** | Gross-up (par)<br>withholding tax (par)<br>tax event (101%)<br>accounting event (101%)<br>rating agency event (101%)<br>clean up call (101%) | Gross-up (par)<br>withholding tax (par)<br>tax event (101%)<br>accounting event (101%)<br>rating agency event (101%)<br>clean up call (101%) | At discretion of issuer before first call date (make-whole)*<br>Tax event (at make-whole) | At discretion of issuer of underlying debentures (see left) before first call date (make-whole).*<br>Tax event with issuer of underlying debentures (at make-whole). | At discretion of issuer before first call date (make-whole)*<br>Tax event (at make-whole) |
| **Comments** | | | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities. | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities.<br>** Trust securities have no stated maturities but must be redeemed upon the maturity or early redemption of the underlying GECC debentures (see left).<br>*** Trust will pay distributions only to the extent of payments received on the underlying GECC debentures (see left). | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities. |

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## Subordinated bonds

| | GE Capital (Trusts) EUR/GBP 2067 | GECC USD 6.375% 2067 | GE Capital (Trust) USD 6.375% 2067 | Henkel EUR 5.375% 2104 | Linde EUR 6% Perp |
|---|---|---|---|---|---|
| **Issuer** | GE Capital Trust II & III | General Electric Capital Corp | GE Capital Trust I | Henkel AG & Co KGaA | Linde Finance BV |
| **Ownership** | 100% owned by GECC | 100% GE | 100% owned by GECC | Public, family shareholder | Public |
| **Amount issued / outstanding** | €620mn / €620mn<br>£87mn / £87mn | $2.5bn / $1.7bn | $813mn / $813mn | €1.3bn / €1.3bn | €400mn / €400mn |
| **Issue Date** | March 2010 | November 2007 | March 2010 | November 2005 | July 2003 |
| **Maturity** | 15.09.2067* | 15.11.2067 | 15.11.2067 | 25.11.2104 | Perpetual |
| **First Call** | 15.09.2017 | 15.11.2017 | 15.11.2017 | 25.11.2015 | 03.07.2013 |
| **Swap spread at issuance** | | 128.9 | | €: 185bps | €: 237.5bps |
| **Senior rating** | | A1 (STABLE) / AA+ (STABLE) | | A2 (STABLE) / A (STABLE) | A3 (STABLE) / A (STABLE) |
| **Instrument rating** | A2 / AA- | A2 / AA- | A2 / AA- | Baa1 / BBB | Baa2 / BBB+ |
| **Fixed Coupon** | €: 5.5%***<br>£: 6.5%*** | 6.375% | 6.375% | 5.375% | 6.000% |
| **Floating Coupon** | 3M€+ 200bps [100bps step up]***<br>3M£+ 200bps [100bps step up]*** | 3M$+ 228.9bps [100bps step up] | 3M$+ 228.9bps [100bps step up] | 3M€+ 285bps [100bps step up] | 3M€+ 337.5bps [100bps step up] |
| **Replacement capital language** | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. | Commitment to only redeem hybrids before 2037 if equity or other junior capital is raised. | Intention to redeem bonds with issuance of common shares, preferred shares or similar hybrid securities (ranking pari passu). | Intention to redeem with proceeds raised through issuance of shares or similar securities to hybrid. |
| **Optional deferral** | Yes | Yes | Yes | Yes | Yes |
| **Settlement after optional deferral** | Essentially same conditions as with underlying GECC debentures (see left). However, certain covenants are only enforceable by the Property Trustee | Cash cumulative and compounding. Maximum extension period of 10 years. | Essentially same conditions as with underlying GECC debentures (see left). However, certain covenants are only enforceable by the Property Trustee | Cash cumulative | Cumulative but not compounding |
| **Mandatory deferral** | - | | - | Adj. operating cashflow / adj. net balance sheet debt < 15% | None |
| **Settlement after mandatory deferral** | - | | - | Issuer can elect to make coupon payment through ACSM or the allotment of further bonds (PIK).* If chosen method fails, deferred interest obligation is cancelled. | |
| **Special issuer calls** | At discretion of issuer of underlying debentures (see left) before first call date (make-whole).*<br>Tax event with issuer of underlying debentures (at make-whole). | At discretion of issuer before first call date (make-whole)*<br>Tax event (at make-whole) | At discretion of issuer of underlying debentures (see left) before first call date (make-whole).*<br>Tax event with issuer of underlying debentures (at make-whole). | Gross-up event (at par)<br>Tax event (greater of make-whole or par)<br>Clean-up call (80%, greater of make-whole or par) | Gross-up event (par)<br>tax event (greater of par / make-whole) |
| **Comments** | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities.<br>** Trust securities have no stated maturities but must be redeemed upon the maturity or early redemption of the underlying GECC debentures (see left).<br>*** Trust will pay distributions only to the extent of payments received on the underlying GECC debentures (see left). | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities. | *Potentially subject to regulatory approval. There is also an agreement with trust not to call securities before 5th anniversary of trust securities.<br>** Trust securities have no stated maturities but must be redeemed upon the maturity or early redemption of the underlying GECC debentures (see left).<br>*** Trust will pay distributions only to the extent of payments received on the underlying GECC debentures (see left). | * Must be attempted within 12 months following a resolution to pay a dividend (or other distributions to junior / parity securities) or otherwise after a lapse of 5 years (whatever occurs earlier). | N/A |

The summaries on this page are indicative only. Investment decisions should always be based on the whole prospectus of every individual instrument.

## Subordinated bonds

| | Linde EUR/GBP 2066 | RWE EUR 4.625% Perp | RWE CHF 5.25% 2072 | RWE GBP 7% Perp | RWE USD 7% 2072 |
|---|---|---|---|---|---|
| **Issuer** | Linde Finance BV | RWE AG | RWE AG | RWE AG | RWE AG |
| **Ownership** | Public | Public | Public | Public | Public |
| **Amount issued / outstanding** | €700mn / €700mn<br>£250mn / £250mn | €1.75bn / €1.75bn | CHF 250mn / CHF 250mn | GBP 750mn / GBP 750mn | USD 1bn / USD 1bn |
| **Issue Date** | July 2006 | September 2010 | October 2011 | March 2012 | April 2012 |
| **Maturity** | 14.07.2066 | Perpetual | 04.04.2072 | Perpetual | 12.10.2072 |
| **First Call** | 14.07.2016 | 28.09.2015 | 04.04.2017 | 20.03.2019 | 12.10.2017 |
| **Swap spread at issuance** | €: 312.5bps | €: 265bps (5Y mid swap) | CHF: 438.9 | GBP: 510 | 575.4 bps |
| **Senior rating** | A3 (STABLE) / A (STABLE) | A3 (NEG) / BBB+ (STABLE) | A3 (NEG) / BBB+ (STABLE) | A3 (NEG) / BBB+ (STABLE) | A3 (NEG) / BBB+ (STABLE) |
| **Instrument rating** | Baa2 / BBB+ | Baa2 / BBB- | Baa2 / BBB- | Baa2 / BBB- | Baa2 / BBB- |
| **Fixed Coupon** | €: 7.375%<br>£: 8.125% | 4.625% | 5.250% | 7.000% | 7.000% |
| **Floating Coupon** | 3M€+ 412.5bps [100bps step up]<br>3M£+ 412.5bps [100bps step up] | Coupon reset to 5Y€+265bps in 2015 [no step up], floating coupon from 2020: 12M€+365bps [100bps step-up] | Coupon reset to 5YCHF + 438.9bps in 2017, to 5YCHF +463.9bps in 2022 and to 5YCHF + 538.9bps in 2037 | Coupon reset to 5Y£+510bps in 2019, to 5Y£ +535bps in 2024 and to 5Y£ + 610bps in 2039) | Coupon reset to 5Y$ + 575.4bps in 2017, to 5Y$ +600.4bps in 2022 and to 5YCHF + 675.4bps in 2037 |
| **Replacement capital language** | Intention to redeem with proceeds raised through issuance of shares or similar securities to hybrid.* | Intention based replacement language until year 5, mandatory replacement capital covenant thereafter | Intention based replacement language | Intention based replacement language | Intention based replacement language |
| **Optional deferral** | Yes | Yes | Yes | Yes | Yes |
| **Settlement after optional deferral** | Cumulative but not compounding. | Cash cumulative (but not compounding) | Cash cumulative (but not compounding) | Cash cumulative (but not compounding). | Cash cumulative (but not compounding). |
| **Mandatory deferral** | None | None | None | None | None |
| **Settlement after mandatory deferral** | | | | | |
| **Special issuer calls** | Gross-up event (at par)<br>capital/rating event (greater of par / make-whole)<br>tax event (greater of par / make-whole)<br>accounting event (greater of par / make-whole)<br>clean up event (at par)<br>conversion event (greater of par / special make-whole)<br>change of control*** (par call or step-up) | Accounting event (greater of par / make-whole)<br>tax event (greater of par / make-whole)<br>change of control event (greater of par / make-whole)<br>rating agency event (101%)<br>gross-up event (par)<br>clean-up event | Gross-up event (par)<br>accounting event (greater of par / make-whole)<br>tax event (greater of par / make-whole)<br>rating agency event (101%)<br>clean-up event (par)<br>change of control event | Gross-up event (par)<br>accounting event (greater of par / make-whole)*<br>tax event (greater of par / make-whole)*<br>rating agency event (101%)<br>clean-up event (greater of par / make-whole)*<br>change of control (greater of par / make-whole)* | Gross-up event (par)<br>accounting event (greater of par / make-whole)*<br>tax event (greater of par / make-whole)*<br>rating agency event (101%)<br>clean-up event (greater of par / make-whole)*<br>change of control (greater of par / make-whole)* |
| **Comments** | * except in conversion event<br>***Any person(s) acquire more than 50% and such acquisition results in downgrade to HY. | Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | * if event occurs before first modified reset date<br><br>Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | * if event occurs before first modified reset date<br><br>Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) |

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## Subordinated bonds

| | RWE CHF 5.00% 2072 | Siemens EUR/GBP 2066 | Telekom Austria EUR 5.625% Perp | Veolia EUR 4.45% Perp | Veolia GBP 4.85% Perp |
|---|---|---|---|---|---|
| **Issuer** | RWE AG | Siemens Financieringsmaatschappij | Telekom Austria | Veolia Environnement | Veolia Environnement |
| **Ownership** | Public | Public | Public | Public | Public |
| **Amount issued / outstanding** | CHF 150mn / CHF 150mn | €900mn / €900mn<br>£750mn / £750mn | €600mn/€600mn | €1bn / €1bn | £400mn/£400mn |
| **Issue Date** | July 2012 | September 2006 | February 2013 | January 2013 | January 2013 |
| **Maturity** | 26.07.2072 | 14.09.2066 | Perpetual | Perpetual | Perpetual |
| **First Call** | 26.07.2017 | 14.09.2016 | 01.02.2018 | 16.04.2018 | 16.04.2018 |
| **Swap spread at issuance** | 465.7 bps | €/£: 125bps | | 360.3 | 362.9 |
| **Senior rating** | A3 (NEG) / BBB+ (STABLE) | Aa3 (STABLE) / A+ (STABLE) | Baa1 (NEG) / BBB (STABLE) | Baa1 (STABLE) / BBB+ (NEG) | Baa1 (STABLE) / BBB+ (NEG) |
| **Instrument rating** | Baa2 / BBB- | A2 / BBB+ | Baa3 / BB+ | (P)Baa3 / BBB- | (P)Baa3 / BBB- |
| **Fixed Coupon** | 5.000% | €: 5.25%<br>£: 6.25% | 5.625% | 4.450% | 4.850% |
| **Floating Coupon** | Coupon reset to 5YCHF + 465.7bps in 2017, to 5YCHF +490.7bps in 2022 and to 5YCHF + 565.7bps in 2037 | 3M€+ 225bps [100bps step-up]<br>3M£+ 225bps [100bps step-up] | Reset to 5Y€+485.9bps in 2018 [no step-up], to 5Y€+510.9bps in 2023 [25bps step-up] and to 5Y€+585.9 in 2038 [further 75bps step-up] | Coupon reset to 5Y€ + 360.3bps in 2018, to 5Y€ +385.3bps in 2023 and to 5Y€ + 460.3bps in 2038 | Coupon reset to 5Y£ + 362.9bps in 2018, to 5Y£ +387.9bps in 2023 and to 5Y£ + 462.9bps in 2038 |
| **Replacement capital language** | Intention based replacement language | Intention to redeem with proceeds raised through issuance of shares or similar securities to hybrid. | | intention based replacement language | intention based replacement language |
| **Optional deferral** | Yes | Yes | Yes | Yes | Yes |
| **Settlement after optional deferral** | Cash cumulative (but not compounding). | Cash cumulative (but not compounding). | Cumulative (but not compounding) | Cash cumulative and compounding | Cash cumulative and compounding |
| **Mandatory deferral** | None | ([operating] Cashflow + interest)/interest < 3.0 | None | None | None |
| **Settlement after mandatory deferral** | | Outstanding payments can only be settled by means of ACSM*. This must occur one year after distributions to shareholders are resumed, the redemption date of the bonds or at the fifth anniversary of arrears (whatever occurs earlier). | - | | |
| **Special issuer calls** | Gross-up event (par)<br>accounting event (greater of par / make-whole)*<br>tax event (greater of par / make-whole)*<br>rating agency event (101%)<br>clean-up event (greater of par / make-whole)*<br>change of control (greater of par / make-whole)* | Gross-up (at par)<br>tax event (higher of par / make-whole)<br>rating event (higher of par / make-whole)<br>Call at greater of par or "special" make-whole if existing convertible is converted.<br>Clean-up call (75%, at higher of par or make-whole) | Gross-up (par)<br>accounting (101 prior first call / par thereafter)<br>tax event (101 prior first call / par thereafter)<br>rating agency (101 prior first call / par thereafter)<br>clean up event 90% (par)<br>change of control (par) | Gross-up / Withholding tax (par)<br>tax event (101 prior first step-up / par thereafter)<br>accounting event (101 prior first step-up / par thereafter)<br>rating agency event (101 prior first step-up / par thereafter)<br>clean up call (101 prior first step-up / par thereafter) | Gross-up / Withholding tax (par)<br>tax event (101 prior first step-up / par thereafter)<br>accounting event (101 prior first step-up / par thereafter)<br>rating agency event (101 prior first step-up / par thereafter)<br>clean up call (101 prior first step-up / par thereafter) |
| **Comments** | * if event occurs before first modified reset date<br>Upon a change of control event, resulting in a downgrade to sub-investment grade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | * if this proves to be impossible, unreasonable or inadmissible, outstanding arrears are cancelled | Upon a change of control event, resulting in material downgrade, the coupon rate steps up by 500bps (if issuer does not exercise the right to redeem the notes) | | |

The summaries on this page are indicative only. Investment decisions should always be based on the whole prospectus of every individual instrument.

## Subordinated bonds

| | Vattenfall EUR 5.25% Perp |
|---|---|
| **Issuer** | Vattenfall Treasury AB |
| **Ownership** | 100% government-owned |
| **Amount issued / outstanding** | €1bn / €1bn |
| **Issue Date** | June 2005 |
| **Maturity** | Perpetual |
| **First Call** | 29.06.2015 |
| **Swap spread at issuance** | €: 195 bps |
| **Senior rating** | A2 (NEG) / A- (STABLE) |
| **Instrument rating** | Baa2 / BBB- |
| **Fixed Coupon** | 5.250% |
| **Floating Coupon** | 3M€+ 295bps [100bps step up] |
| **Replacement capital language** | Tight, "intention" language in T&Cs * |
| **Optional deferral** | Yes |
| **Settlement after optional deferral** | Cash cumulative and compounding |
| **Mandatory deferral** | (FFO + interest paid / Interest expenses < 2.5x |
| **Settlement after mandatory deferral** | Non-cumulative |
| **Special issuer calls** | Gross-up event (at par)<br>tax event (at make-whole) |
| **Comments** | * Issuer intends to redeem hybrids with proceeds raised through the issuance of equity or through the issuance of new hybrids within a period of 6 months prior to redemption. |

The summaries on this page are indicative only. Investment decisions should always be based on the whole prospectus of every individual instrument.

# Appendix

If you require further information on the instruments or issuers mentioned in this publication, or you require general information on UBS CIO WM Research including research policies and statistics regarding past recommendations, please contact either your Client Advisor or the mailbox UBS-research@ubs.com giving your country of residence.

**Disclosures (7 February 2013)**
ArcelorMittal 10, 15, Bayer 3, 10, 15, EDF 10, 15, 18, General Electric Co. 4, 7, 8, 9, 10, 12, 14, 15, 16, 17, 19; Henkel 10, 15, Lafarge 10, 15, Linde 2, 15, Michelin 15, Peugeot SA 5, 10, 15, RWE 6, 10, 15, 17, 19; Siemens 1, 3, 7, 10, 13, 15, 17, 19; Telecom Italia 7, 10, 15, 17, 19; Telekom Austria 11, 15, Veolia Env. 15, 17,

1. UBS Deutschland AG is currently acting as advisor to Siemens AG
2. The U.S. equity strategist, a member of his team, or one of their household members has a long position in the ADRs of Linde AG.
3. UBS Limited acts as broker to this company.
4. The U.S. equity strategist, a member of his team, or one of their household members has a long common stock position in General Electric.
5. Because this security exhibits higher-than-average volatility, the FSR has been set at 15% above the MRA for a Buy rating, and at -15% below the MRA for a Sell rating (compared with 6/-6% under the normal rating system).
6. The UBS Wealth Management strategist, a member of his or her team, or one of their household members has a long common stock position in this company.
7. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
8. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
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10. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
11. UBS AG, its affiliates or subsidiaries beneficially owned more than 3% of the total issued share capital of this company.
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13. UBS AG, its affiliates or subsidiaries beneficially owned more than 5% of the total issued share capital of this company.
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16. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.
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# Appendix

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