

## Information Brochure on Mortgage-Backed Credits (Mortgages)

Contracts issued by the Bank for mortgage-backed credits contain industry-standard provisions regarding

- Appointment of a trustee and
- Transferability of mortgages to a Third Party.

This information brochure provides detailed information about these provisions.

The key points in brief:

**Appointment of a trustee:** When appointing a trustee, it must be possible for the rights to mortgage deeds that are used as collateral as part of a credit contract concluded with the Bank to be acquired and exercised by a trustee rather than by the Bank if necessary. The trustee becomes the holder of the real estate lien and the owner of the mortgage deed in place of the Bank.

**Transferability:** The transferability provision specifies that, if necessary, the Bank may transfer the mortgage to a Third Party in Switzerland or abroad and may also make any related information available to the Third Party or to other relevant parties. In this situation, the Bank is released from bank client confidentiality and from any further data protection obligations.

### Part 1: Appointment of a Trustee

#### What is the purpose of the provision on the appointment of a trustee?

#### What does the provision on the appointment of a trustee stipulate?

The provision stipulates that the rights to mortgage deeds that are used as collateral as part of a credit contract concluded with the Bank can be acquired and exercised by a trustee rather than by the Bank.

#### What is the purpose of the appointment of a trustee?

In particular, the appointment of a trustee enables

- More efficient organizational procedures in that a wide range of administrative tasks relating to mortgage deeds

can be centralized and, for example, transferred to a SIX Group company or to another a service provider specializing in this field

- Easier discharge of mortgage-backed credits. For example, physical mortgage deeds no longer need to be sent, and in the case of registered mortgage notes, there is no need for the security creditor to be re-registered in the land register if the repaying bank works with the same trustee
- Simplification of the transfer, assignment, or pledging of mortgages and mortgage loans as described in part 2 of this information brochure

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#### What does this provision mean for clients and for the Bank?

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#### The trustee is the holder of the real estate lien in place of the Bank

With the appointment of a trustee, the Bank's rights to the mortgage deeds can be transferred to a trustee. The trustee thereby becomes the holder of the real estate lien in place of the Bank and therefore the owner of the mortgage deed. Particularly in the case of existing registered mortgage notes, the trustee is registered as the holder of the real estate lien in place of the Bank. New registered mortgage notes are set up in the name of the trustee instead of in the name of the Bank.

#### Exercise of rights arising from the mortgage deeds by the trustee

The trustee can, in place of the Bank, but on its behalf and upon its instruction, exercise the rights of the holder of the real estate lien. This means, for example, that the trustee can terminate the relevant mortgage notes and assert the mortgage note claims him-/herself. In the case of transfer of mortgage loans to a Third Party (as per part 2 of this information brochure), the trustee will assert the rights of the holder of the real estate lien on behalf of and under the instruction of the Third Party.

#### Release of the mortgage deeds to the client or guarantor

Even in the case of a transfer to a trustee, the mortgage deeds must be released to the client or guarantor after no more secured claims against these deeds in relation to the client exist or could arise.

## Part 2: Transferability

### What is the purpose of the transferability provision?

#### What is stipulated in the transferability provision?

The transferability provision stipulates that the Bank can transfer or assign the mortgage or mortgage loan, with all collateral and accessory rights, to a Third Party in Switzerland or abroad. This also includes the possibility of a pledge to a Third Party. This Third Party may transfer, assign, or pledge the mortgage or mortgage loan to other acquirers. The provision also stipulates that information relating to the mortgage or mortgage loan may be made accessible to the Third Party or other involved parties.

#### To whom can mortgages be transferred?

Third Parties in this context include other banks, insurance companies, institutional investors, funds and fund management companies, companies founded for this purpose (special purpose entities), or other investors.

#### What is the purpose of the transferability provision?

Transferring, assigning, or pledging of mortgages or mortgage loans enables the Bank in particular to

- Acquire financial resources or exploit sources of refinancing
- Reduce its receivables and therefore its mortgage lending risks
- Hedge its mortgage credit risk, thereby protecting itself against losses from lending operations
- Outsource certain business activities to another company in order to achieve more efficient organizational procedures

The transfer option can also be used in the Bank's emergency plan as a means of obtaining financial resources in the event of a crisis.

#### How are financial resources acquired?

Financial resources can be acquired, for example

- Via mortgage bond *loans*. : Mortgage bond loans are loans to banks from mortgage bond institutions set up especially for this purpose. These loans are directly or indirectly covered by mortgages or mortgage loans
- By issuing *covered bonds* or other comparable investment products: In the case of covered bonds or other comparable investment products, investors make funds available to the Bank by purchasing bonds or other investment products. For the purpose of direct or indirect cover of the receivables due to investors from the Bank, mortgages or mortgage loans are transferred to a company set up for this purpose (special purpose entity) or pledged in favor of the investors

- By means of *securitization*: In the case of securitization and similar transactions, a company established for this purpose (special purpose entity) or another Third Party (the issuer of a fund, for example) raises capital through the issue of bonds or other investment products to investors and uses this capital to finance the direct or indirect acquisition of mortgages or mortgage loans from the Bank. The investors' claims are directly or indirectly secured through the transferred mortgages or mortgage loans
- Through the *sale* of mortgages or mortgage loans: In the case of the sale of mortgages or mortgage loans to a Third Party, these are usually transferred definitively to the respective acquirer

#### How are receivables and therefore risks in mortgage lending reduced?

This reduction can be achieved through the sale of mortgages or mortgage loans to Third Parties.

#### How is credit risk hedged?

In order to hedge credit risk, the Bank

- Takes out an insurance contract with an insurance company to cover mortgage default risk
- Involves Third Parties in the risk and performance of the mortgage (e.g. through sub-participation); such Third Parties may, under certain circumstances, themselves refinance by issuing bonds or other investment products
- Uses hedging options in the form of financial derivatives or other legal transactions, for example, by concluding contracts with Third Parties which trigger a payment obligation for the Third Party upon the occurrence of certain events associated with mortgages (such as default by the borrower)

Claims of the respective Third Parties against the Bank under this form of hedging can be covered directly or indirectly by mortgages or mortgage loans.

#### How are certain business activities outsourced?

Business activities are outsourced if the Bank instructs another company (service provider) to perform a service essential to the Bank's business activities independently and on a long-term basis. Under certain circumstances, this may be linked to the transfer of mortgages or mortgage loans to the service provider.

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## What does this transferability provision mean for clients and for the Bank?

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### Significance for the legal relationship between the Bank and the client

If the Bank exercises its right to transfer or assign mortgages or mortgage loans to a Third Party, the latter will take the place of the Bank. The mortgage deed and other collateral and accessory rights are generally also transferred.

In the case of a pledge of the mortgage or mortgage loan, the Third Party becomes the pledgee.

### Significance for further transfer by the Third Party

If the Third Party enforces his right to subsequently transfer, assign, or pledge the mortgage or mortgage loans, the contracting parties of the client or creditor of the mortgage loans may change again.

If mortgage deeds are further transferred or pledged, this can result in an increased risk of an acquirer taking action against the debtor from the mortgage deeds without taking into account payments already made (risk of double payment). However, the Bank will take appropriate measures to mitigate this increased risk as part of the transactions associated with the transfer or pledge.

### Significance for the rights of the client or guarantor, particularly with regard to any rights of set-off

If a Third Party acquires the mortgage or mortgage loan, or there is a corresponding assignment or pledge, and if the client or guarantor is notified of this, any rights (e.g. rights of set-off or other objections or defenses) that the client or guarantor has toward the Bank that only arise after said notification may no longer be asserted against this Third Party. In particular, this means that after this notification, credit balances of the client or guarantor that are held with the Bank can under certain circumstances no longer be used to offset the mortgage loans.

### Significance with regard to interest and capital payments

All interest and capital payments must continue to be paid to the Bank as long as the client has not been notified that the mortgage, including collateral and accessory rights, has been transferred, assigned, or pledged to a Third Party. After such a notification, the payment instructions communicated at that time must be observed.

### No limitation in respect of the sale of the property encumbered with the mortgage

The transfer clause does not limit the sale of the property encumbered with the mortgage. However, it should be noted that the sale of the property can still result in the maturity of the mortgage loans as well as early termination costs.

### The provisions regarding termination also apply to an acquirer

The provisions regarding termination do not change for the client: The credit contract or collateral agreement concluded between the Bank and the borrower or guarantor governs the termination rights. Accordingly, the Third Party to whom the mortgage or mortgage loan is transferred, assigned, or pledged must abide by the contractual termination rights.

### Release of the mortgage deeds to the client or guarantor

Even in the case of a transfer to a Third Party, the mortgage deeds must be released to the client or guarantor after no more secured claims against these deeds on the part of the Bank or Third Party in relation to the client exist or could arise.

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## What implications does the transfer have with regard to bank client confidentiality and any other confidentiality or data protection obligations of the Bank?

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### Disclosure of information by the Bank

Under the transferability provision, the Bank is entitled to disclose all information and documents related to the mortgage. This includes the name of the borrower, the name of the guarantor, the credit amount, the type of credit, and the security, credit and collateral agreements, information about the financial circumstances of the borrower and other information collected in the context of granting the loan or lending management. Recipients of this information and documents may be the Third Parties to whom the mortgages or mortgage loans are transferred, assigned, or pledged, credit rating agencies, or other parties that are directly or indirectly involved in the transfer, assignment, or pledge, the financing transactions, the reduction of the loans from credit exposures, the hedging of the credit risk or the outsourcing of business operations, or other legal transactions related therewith. Information may be disclosed to recipients in Switzerland or abroad.

The transferability provision thus releases the Bank accordingly from bank client confidentiality and additional confidentiality and data protection obligations.

It should be noted that the information can be made accessible in any way, i.e. in particular through transfer via telecommunications, electronic data transfer, or the forwarding of documents.

However, the Bank will make the information accessible to information recipients only if they are also subject to Swiss bank client confidentiality and Swiss data protection obligations or upon submission of a corresponding confidentiality declaration.

### **Transfer to other acquirers**

In the event of a transfer, assignment, or pledge of the mortgage or mortgage loans to additional acquirers, the information may also be made accessible to these acquirers as long as they are subject to a confidentiality obligation as well as a requirement to only forward the information to parties also subject to confidentiality obligations.

### **Information recipients abroad**

If information is made available to an information recipient abroad, the bank client confidentiality protection guaranteed by Swiss law no longer applies. Furthermore, client-related information may enter countries that guarantee less extensive data protection than Switzerland.

### **Glossary**

- **Mortgage deeds** are, for example, paper mortgage notes, registered mortgage notes, or bearer bonds with mortgage assignment
- **Mortgage loans** are receivables secured by mortgage deeds or other collateral, which have arisen or will arise in the future under a credit contract
- **Mortgages** are credit contracts or mortgage loans, including associated mortgage deeds or other collateral, as well as any additional collateral and accessory rights

Otherwise, the terms used in the contract(s) concerning your mortgage-backed credit apply to this information brochure.

### **Contact Us**

Your relationship manager will be happy to help if you have any questions.