



General Terms and Conditions for Structured Currencies and Precious Metals

Date 24 July 2020
Version 2020-4

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1. Preliminary Remarks

UBS AG (the “Issuer” or “UBS AG” or “UBS”) may from time to time issue structured products in securitized form (the “Products”). The Products will be issued based (i) on the information set out in these “General Terms and Conditions for Structured Currencies and Commodities”, as amended from time to time (the “General Terms and Conditions”) and (ii) on the relevant final terms of each Product (the “Final Terms”). The General Terms and Conditions and the Final Terms shall form the entire documentation for each Product (the “Product Documentation”) and should always be read in conjunction with each other. In case of inconsistency between the General Terms and Conditions and the Final Terms, the Final Terms shall prevail.

In the event that the Product is listed (see item ‘Listing’ under ‘General Information’ in the relevant Final Terms), the Product Documentation will be amended in accordance with the listing requirements of the relevant Exchange.

The Issuer accepts responsibility for all information contained in the Product Documentation and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material aspects and that there are no other material facts, the omission of which would make misleading any statement herein, whether of fact or opinion.

The offering or sale of the Products in certain jurisdictions may be restricted by law. Persons, who obtain possession of the Product Documentation, are required to inform themselves about and to adhere to any such restrictions which are set out in more detail in the relevant Final Terms under the section headed ‘Selling Restrictions’. The Product Documentation does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

During the whole term of the Product, the Product Documentation can be ordered free of charge from the Lead Manager at P.O. Box, CH-8098 Zurich (Switzerland) via telephone (+41 (0)44 239 47 03), fax (+41 (0)44 239 69 14) or via e-mail (swiss-prospectus@ubs.com). In addition, the Product Documentation is available on the internet at www.ubs.com/keyinvest.

2. Risk Factors

An investment in the Products involves certain risks. If one or more of the risks described below occur, potential investors in the Products (the "Potential Investors") may incur a partial loss or even a total loss of their invested capital. Potential Investors should carefully consider the following factors prior to investing in the Products. This section of the General Terms and Conditions does not purport to be an extensive and comprehensive list of all possible risks associated with an investment in the Products.

*Investment decisions should **not** be made solely on the basis of the risk warnings set out in the Product Documentation, since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each Potential Investor individually.*

2.1 General Risk Factors

2.1.1 Advice from your Principal Bank

This information is not intended to replace the advice Potential Investors should always obtain from their respective principal bank before making a decision to invest in the Products. Only Potential Investors who are fully aware of the risks associated with the investment in the Products and who are financially able to bear any losses that may arise, should consider engaging in transactions of this type.

2.1.2 Buying Products on Credit

Potential Investors financing the purchase of Products with loans should note that, should their expectations fail to materialise, they would not only have to bear the loss resulting from the investment in the Products, but also have to pay interest on the loan as well as repay the principal amount. It is therefore imperative that Potential Investors verify their financial resources in advance, in order to determine whether they would be able to pay the interest and repay the loan at short notice should they incur losses instead of realising the anticipated profit.

2.1.3 Independent Review and Advice

Prior to entering into a transaction Potential Investors should consult their own legal, regulatory, tax, financial and accounting advisors to the extent they consider necessary, and make their own investment, hedging and trading decisions (including decisions regarding the suitability of an investment in the Products) based upon their own independent review and judgment and advice from those advisers they consider necessary.

Furthermore, Potential Investors should conduct such independent investigation and analysis regarding the Issuer and all other relevant persons or entities and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Products. However, as part of such independent investigation and analysis, Potential Investors should consider carefully all the information set forth in the Product Documentation.

Investment in the Products may involve a loss of principal by virtue of the terms of the Products even where there is no default by the Issuer. Potential Investors will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of the Issuer in respect of the charged assets. None of the Issuer, the Lead Manager, the Paying Agent, the Calculation Agent, or any other agent nor any affiliate of any of them (or any person or entity on their behalf) will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Potential Investors with any information in relation to such matters or to advise as to the accompanying risks.

2.1.4 Investor Suitability

The purchase of the Products involves substantial risks. Potential Investors should be familiar with instruments having the characteristics of the Products and should fully understand the terms and conditions set out in the Product Documentation and the nature and extent of their exposure to risk of loss.

In addition, Potential Investors must determine, based on their own independent review and such legal, business, tax and other advice as they deem appropriate under the circumstances, that the acquisition of the Products (i) is fully consistent with their financial needs, objectives and conditions, (ii) complies and is fully consistent with all constituent documents, investment policies, guidelines, authorisations and restrictions (including as to their capacity) applicable to them, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper and suitable investment for them.

2.1.5 Changes in Tax Law and Tax Call

The tax considerations set forth in the Product Documentation reflect the view of the Issuer based on the legislation applicable at the date of issuance of the Product Documentation. It cannot, however, be ruled out that the tax treatment by the tax authorities and courts could be interpreted differently. Additionally, the tax considerations set forth herein may not be used as the sole basis for the decision to invest in the Products from a tax perspective, since the individual situation of each Potential Investor must also be taken into account. Thus, the considerations regarding taxation contained in the Product Documentation do not constitute any sort of material information or tax advice nor are they in any way to be construed as a representation or warranty with respect to specific tax consequences.

In accordance with the terms and conditions set out in the General Terms and Conditions, the Issuer may redeem all outstanding Products early for tax reasons. Accordingly, Potential Investors should consult their personal tax advisors before making any decision to purchase the Products and must be aware of and be prepared to bear the risk of a potential early redemption due to tax reasons. The Issuer and the Lead Manager do not accept any liability for adverse tax consequences of an investment in the Products.

2.1.6 Effect of Ancillary Costs

Commissions and other transaction costs incurred in connection with the purchase or sale of Products may result in charges, particularly in combination with a low order value, which can substantially reduce any Redemption Amount. Before acquiring Products, Potential Investors should therefore inform themselves of all costs incurred with the purchase or sale of the Product, including any costs charged by their custodian banks upon purchase and redemption of the Products.

2.1.7 No Reliance

The Issuer and all of its affiliates respectively disclaim any responsibility to advise Potential Investors of the risks and investment considerations associated with the purchase of the Products as they may exist at the date hereof or from time to time hereafter.

2.1.8 Legality of Purchase

The Issuer has no and assumes no responsibility for (i) the lawfulness of the acquisition of the Products by Investors or for (ii) the compliance by Investors with any law, regulation or regulatory policy applicable to them.

2.2 Market Risk Factors

2.2.1 No Liquidity or Secondary Market

As the Products might not be listed or traded on any exchange, pricing information regarding the Products may be more difficult to obtain and the liquidity of the Products may be adversely affected. The liquidity of the Products may also be affected by restrictions on the purchase and sale of the Products in some jurisdictions.

The Issuer or the Lead Manager, as applicable, intends, under normal market conditions, to provide bid and offer prices for the Products on a regular basis. However, the Issuer or the Lead Manager, as applicable, makes no firm commitment to provide liquidity by means of bid and offer prices for the Products, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. Potential Investors therefore should not rely on the ability to sell Products at a specific time or at a specific price. Additionally, the Issuer has the right (but no obligation) to purchase Products at any time and at any price in the open market or by tender or private agreement. Any Products so purchased may be held or resold or surrendered for cancellation.

2.2.2 Expansion of the Spread between Bid and Offer Prices

In special market situations, where the Issuer is completely unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer.

2.2.3 Emerging Markets

Investments in emerging markets should only be effected by persons who have a sound knowledge of these markets, who are well aware of and are able to weigh the diverse risks (political, social and economic risks, currency, liquidity and settlement risks, regulatory and legal risks) involved and who have sufficient financial resources to bear the substantial risks associated with such investments.

2.2.4 Risks Factors associated with Currency Exchange Rates

An investment in Products may involve risk exposure to fluctuations in exchange rates of the relevant currencies in which the Products are denominated and the Underlying is traded or evaluated. For example (i) the Underlying may be denominated in a currency other than that of the Products, (ii) the Products may be denominated in a currency other than the currency of the Investor's home jurisdiction and/or (iii) the Products may be denominated in a currency other than the currency in which an Investor wishes to receive funds.

Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value, regardless of other market forces.

If the Potential Investor's right vested in the Products is determined on the basis of a currency other than the Settlement Currency, or if the value of the Underlying is determined in a currency other than the Settlement Currency, Potential Investors should be aware that investments in these Products could entail risks due to fluctuating exchange rates, and that the risk of loss does not depend solely on the performance of the Underlying, but also on unfavourable developments in the value of such other currency.

2.3 Risk Factors relating to the Products

2.3.1 Risk-hedging Transactions

The ability to eliminate or to restrict the initial risks of the Products arising from their purchase by concluding any hedging transactions during their lifetime depends mainly on the market conditions and the terms and conditions of the specific Product. As a consequence, such transactions may be concluded at unfavourable market prices to the effect that corresponding losses may arise.

Potential Investors should therefore not rely on the ability to conclude transactions at any time during the term of the Products that will allow them to offset or limit relevant risks.

2.3.2 Features of Products on Currencies, Exchange Rates, Commodities or Precious Metals

In cases where the Underlyings are currencies, exchange rates, commodities or precious metals, it should be noted that such Underlyings are traded 24 hours a day through the time zones of Australia, Asia, Europe and America. It is therefore possible that a relevant limit, barrier or threshold pursuant to the relevant Final Terms may be reached, exceeded or fallen below outside of local or Lead Managers' business hours.

2.3.3 Disruption Events

In accordance with the terms and conditions set out in the General Terms and Conditions, the Lead Manager or the Calculation Agent may determine in its absolute sole discretion that a Disruption Event has occurred or exists at a relevant time. Any such determination may have an adverse effect on the value of the Products.

2.3.4 Other Factors affecting Value

The value of a Product is determined not only by changes in the price of the Underlying, but also a number of other factors. Since several risk factors may have simultaneous effects on the Products, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Products.

These factors include, *inter alia*, the terms and conditions of the specific Product, the frequency and intensity of price fluctuations (volatility) in the Underlying, as well as the prevailing interest rate. A decline in the value of the Product may therefore occur even if the price or level, as the case may be, of the Underlying remains constant.

Potential Investors should be aware that an investment in the Products involves a valuation risk with regard to the Underlying. They should have experience with transactions in Products with a value derived from an underlying. The value of an underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors and speculation. If the Underlying comprises a basket of various assets, fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value of other basket components. In addition, the historical performance of an underlying is not an indication of its future performance. The historical price of an underlying does not indicate its future performance. Changes in the market price of an underlying will affect the trading price of the Products, and it is impossible to predict whether the market price of an underlying will rise or fall.

2.3.5 Information with regard to the Underlying

Information with regard to the Underlying consists of extracts from or summaries of information that is publicly available in respect of the Underlying and is not necessarily the latest information available. The Issuer accepts responsibility for accurately extracting and summarizing the underlying information. No further or other responsibility (express or implied) in respect of the underlying information is accepted by the Issuer. The Issuer makes no representation that the underlying information, any other publicly available information or any other publicly available documents regarding the underlying asset, index or other item(s) to which the Products relate are accurate or complete. There can be no assurance that all events occurring prior to the Pricing Date of the relevant Products that would affect the trading price of the underlying asset, index or other item(s) to which the Products relate (and therefore the trading price and value of the Products) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure or failure to disclose material future events concerning the underlying asset, index or other item(s) to which the Products relate could affect the trading price and value of the Products.

2.3.6 Fluctuations in Market Volatility may affect the Value of Products

Market volatility reflects the degree of instability and expected instability of the performance of the commodity market over time. The level of market volatility is not purely a measurement of the actual market volatility, but is largely determined by the prices for derivative instruments that offer Potential Investors protection against such market volatility. The prices of these instruments are determined by forces such as actual market volatility, expected market volatility, other economic and financial conditions and trading speculations.

2.3.7 Investing in the Products is not the same as Investing in the Underlying

Potential Investors should be aware that the market value of the Products may not have a direct relationship with the value of the Underlying, and changes in the value of the Underlying will not necessarily result in a comparable change in the market value of the Products.

2.3.8 Protection Amount

If and to the extent that a capital protection has been declared applicable in the relevant Final Terms, the Products will be redeemed for an amount no less than the specified protection. A capital protection may apply at a level below, at, or above the Nominal of the Product. The capital protection, if any, will not be due if the Products are redeemed prior to their Redemption Date or upon the occurrence of a Disruption Event or upon the occurrence of a Tax Call. If no capital protection is applicable the full amount invested by the Investor may be lost. Even if a capital protection applies, the return may be less than the capital protection specified on the Final Terms. The payment of the protection amount may be affected by the condition (financial or otherwise) of the Issuer.

2.3.9 Understanding the Exchange Rates

With respect to any Underlying, the exchange rate may by industry practice be commonly expressed as the number of units of one particular currency to the other, and not the reverse, regardless of which of the two currencies is the principal currency or the alternative currency. It is therefore possible, depending on which of a currency forming the Underlying is the principal currency, that a lower numerical exchange rate may indicate a more expensive principal currency. Moreover, the description of an exchange rate as, for example, the "USD/JPY" or "EUR/USD" does not necessarily imply that the rate is expressed in units of the first-named currency per unit of the second-named currency.

2.3.10 Determination of Spot Exchange Rates

There is no centralized market for interbank foreign exchange trading. The Calculation Agent will determine the value of the spot rate based on transactions traded through the Electronic Broking System and Reuters 2002 systems, as well as on transactions traded by the Issuer and its affiliates in the interbank foreign exchange and/or precious metals market. The Calculation Agent will not review any other source of information on transactions in the relevant spot exchange rates.

2.3.11 Investors must be willing and prepared to hold their Product until Maturity

Investors must be willing and prepared to hold their Product until the Expiration Date. The invested amount is protected only if the Investor holds this Product until the Expiration Date. If an Investor sells the Product in the secondary market prior to the Expiration Date, the Investor will not have capital protection on the portion of the Product sold.

2.3.12 Views of the Issuer and Research Reports published by the Issuer

The Issuer and its affiliates from time to time express views on expected movements in foreign currency exchange rates in the ordinary course of their businesses. These views are sometimes communicated to clients who participate in foreign exchange markets. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Moreover, other professionals who deal in foreign currencies may at any time have significantly

different views from the views of the Issuer and its affiliates. Investors must derive information about foreign exchange markets from multiple sources. Investors should investigate the foreign exchange markets and not rely on views which may be expressed by the Issuer or its affiliates in the ordinary course of the Issuers or its affiliates businesses with respect to future exchange rate movements.

The Issuer, or one or more of its affiliates may, at present or in the future, publish research reports with respect to movements in foreign exchange rates generally or in the relevant exchange rate specifically. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Products. Any of these activities may affect the market value of the Products.

2.3.13 Unpredictable Factors

The relevant spot exchange rate may be influenced by unpredictable factors, including fluctuations in currency exchange rates. The value of the Underlying and its spot levels, and, therefore, the investment, may be affected by various and often unpredictable factors, including, but not limited to, the exchange rate and economic, financial, social and political conditions globally and in particular countries. The exchange rate and the liquidity and trading values of, and amounts payable with respect to, the Product may be affected by the actions of sovereign governments that may directly or indirectly impact the Underlying. The market value of the Product may fluctuate between the Trade Date and the Expiration Date at the Expiration Time. The Calculation Agent will determine the settlement on maturity.

2.3.14 No Systematic Reporting of Last-Sale Information for Foreign Currencies

There is no systematic reporting of last-sale information for foreign currencies. Reasonable current bid and offer information is available in certain brokers' offices, in bank foreign currency trading offices, and to others who wish to subscribe for this information, but this information will not necessarily reflect the relevant exchange rate relevant for determining the value of the Products. The absence of last-sale information and the limited availability of quotations to individual investors make it difficult for many Investors to obtain timely, accurate data about the state of the underlying foreign exchange markets.

2.4 Risk Factors relating to the Issuer

2.4.1 Non-reliance on Financial Information of the Issuer

As a global financial services provider, the business activities of the Issuer are affected by the prevailing market situation. Different risk factors can impair the Issuer's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, the Issuer's revenues and earnings are and have been subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of sustainable results. They can change from one year to the next and affect the Issuer's ability to achieve its strategic objectives.

2.4.2 General Insolvency Risk

Each Investor bears the general risk that the financial situation of the Issuer could deteriorate. The Products constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in case of insolvency of the Issuer, rank *pari passu* with each and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions.

2.4.3 Effect of Downgrading of the Issuer's Rating

The general assessment of the Issuer's creditworthiness may affect the value of the Products. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Moody's, Fitch and Standard & Poor's.

2.4.4 Potential Conflicts of Interest

The Issuer and affiliated companies may participate in transactions related to the Products in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Investors and may have a positive or negative effect on the value of the Underlying and consequently on the value of the Products. Furthermore, companies affiliated with the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the Products. As a result, conflicts of interest can arise between companies affiliated with the Issuer, as well as between these companies and Investors, in relation to obligations regarding the calculation of the price of the Products and other associated determinations. In addition, the Issuer and its affiliates may act in other capacities with regard to the Products, such as Calculation Agent, Paying Agent and/or Index Sponsor.

Furthermore, the Issuer and its affiliates may issue other derivative instruments relating to the respective Underlying; introduction of such competing products may affect the value of the Products. The Issuer and its affiliated companies may receive non-public information relating to the Underlying, and neither the Issuer nor any of its affiliates undertake to make this information available to Investors. In addition, one or more of the Issuer's affiliated companies may publish research reports on the Underlying. Such activities could present conflicts of interest and may affect the value of the Products.

2.4.5 Disclosure with regard to Fees

Within the context of the offering and sale of the Products, the Issuer or any of its affiliates may directly or indirectly pay fees in varying amounts to third parties, such as distributors or investment advisors, or receive payment of fees in varying amounts, including those levied in association with the distribution of the Products, from third parties. Potential Investors should be aware that the Issuer may retain fees in part or in full. The Issuer or, as the case may be, the Lead Manager, upon request, will provide information on the amount of these fees.

2.4.6 Risks relating to UBS

For information on risks that may impact UBS's ability to execute its strategy or otherwise affect its business activities, financial condition, results of operations and prospects, refer to the "Risk factors" section of the latest annual report of UBS. The relevant annual report is incorporated by reference herein.

3. Definitions

Terms, used but not defined in the General Terms and Conditions, shall have the meaning as specified in the relevant Final Terms.

"Business Day"	means in connection with any payment procedure (i) a day on which SIX SIS AG, DTC, Clearstream Luxembourg and Euroclear are open for business, and (ii) foreign exchange markets settle payments in the Settlement Currency.
"Conversion Ratio"	means the number of Underlyings into which a given number of Products may be converted.
"Exchange"	means the stock exchange where the Product is listed, if applicable.
"Disruption Event"	means the occurrence of any of the following events: Price Source Disruption, FX Disruption Event, Market Disruption Event or Settlement Disruption Event.
"Exchange Business Day"	means (i) any Trading Day on which the official closing level of the relevant Underlying is published by the Related Exchange or the Index Sponsor, as the case may be; or (ii) for Products with Commodity Indices as Underlying, any Trading Day on which the official closing level of the Underlying Component is published by the Related Exchange or the Index Sponsor, as the case may be. Subject to the provisions set forth in the section headed ' <u>Market Disruption</u> '.
"Index"	means, for Products with an Index as Underlying, the Index as specified in the Final Terms and published by the relevant Index Sponsor.
"Investor"	means the person entitled to the rights conferred by the Products.
"Rating"	means the Rating as specified in the Final Terms which refers to the long-term credit ratings of Moody's, New York, Standard & Poor's, New York, and Fitch Ratings, London.
"Related Exchange(s)"	means the exchange(s) on which the relevant Underlying or its components and relating to Products on Commodity Indices the relevant Underlying Components are traded.

"Scheduled Closing Time"	relating to Products with Commodity Indices as Underlying, means in respect of an Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
"Settlement Currency"	means the currency used for the payment of any redemption amount or any other amount.
"Trading Day"	means any day that is a scheduled trading day of the Related Exchange, subject to the provisions set forth in the section headed ' <u>Market Disruption Events</u> '.
"Trading Expiration Time"	means the time on the Expiration Date until which the Products can be traded at the Related Exchange.
"Underlying Component"	relating to Products with Commodity Indices as Underlying, means in respect of each physical commodity comprised in the Index, each exchange traded future or exchange traded option contracts for that physical commodity, as determined by the Calculation Agent.
"Valuation Date"	means the Expiration Date and/or any Observation Date(s). In relation to a Basket Underlying: If this Date is not an Exchange Business Day for at least one Basket Component, the immediately succeeding Exchange Business Day is deemed to be the relevant Valuation Date in relation to all Basket Components.

4. Terms and Conditions

4.1 Status of the Products/Classification

The Products are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank pari passu with all present and future, unsecured and unsubordinated obligations without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

The Products do not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus are not subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, Investors in the Products are not eligible for the specific investor protection under the CISA.

4.2 Form of securities

The Products may be issued in the form of bearer notes (including global notes pursuant to article 973b of the Swiss Federal Code of Obligations (CO)) or in uncertificated form as uncertificated securities (Wertrechte) pursuant to article 973c CO, as specified in the relevant Final Terms.

Global notes will be deposited with and uncertificated securities will be entered into the main register (Hauptregister) of SIX SIS AG, the Swiss Securities Service Corporation in Olten (SIS) in accordance with the Swiss Federal Act on Intermediated Securities (FISA). Once deposited or registered with SIS and booked into the accounts of one or more participants of SIS, the global notes or the uncertificated securities will constitute intermediated securities (Bucheffecten) in accordance with the provisions of the FISA. The Issuer reserves the right to select any other clearing system or any other common depositary, including UBS AG, eligible for the role of an intermediary pursuant to article 4 FISA, for the purpose of depositing global notes or registering uncertificated securities.

As long as the Products are intermediated securities, the Products are transferred and otherwise disposed of in accordance with the provisions of the FISA, i.e. by entry of the transferred Products in a securities account of the transferee. As long as the Products are intermediated securities, the holders of the Products will be the persons holding the Products in a securities account in their own name and for their own account.

The holders of the Products shall at no time have the right to effect or demand the conversion of the uncertificated securities (Wertrechte) into, or the delivery of a global note (Globalurkunde) or definitive notes (Wertpapiere).

4.3 Adjustments

The scheduled Expiration Date and Time or any other date specified on the Final Terms may become subject to adjustments.

If a date would otherwise fall on a day that is not a Business Day, such date will be the first following day that is a Business Day. In case an Expiration Date and Time is postponed, the Redemption Date will be postponed accordingly.

The Lead Manager shall notify the Investors in accordance with the section headed 'Notices' of any adjustments which have been made. The details of such adjustments will be available for inspection at the offices of the Lead Manager.

4.4 Price Source Disruption Event

It may become impossible to obtain the relevant exchange rate or price during the lifetime of the Product and/or on the Expiration Date and Time due to one or more of the price sources normally used in the relevant market for the Underlying being unavailable because an unscheduled bank closure is declared on short notice in the relevant country or due to the occurrence of any other disruption (each a "Price Source Disruption Event"). The Calculation Agent will determine in good faith whether a Price Source Disruption Event has occurred.

A Price Source Disruption Event may lead to (i) a postponement of the Expiration Date and Time and therefore the redemption payment, (ii) to the use of an alternative source for the relevant exchange rate and or (iii) to the unilateral determination of the applicable exchange rate by the Calculation Agent.

Such postponement, use of alternative price source and/or determination of the applicable exchange rate by the Calculation Agent may affect, materially or otherwise, the Redemption Amount which the Investor will receive.

4.5 Market Disruption Event

4.5.1 If Underlying of Products is related to Commodities (except Commodity Indices)

"Market Disruption Event" means, in relation to Products relating to Commodities or a Basket of Commodities, the occurrence or existence on any Trading Day of any one or more of the following events:

- (i) a limitation, suspension, or disruption of trading in one or more of the component of the Underlying imposed on trading by the relevant Exchange or otherwise and whether by movements in price exceeding limits permitted by the relevant Exchange or otherwise;
- (ii) failure by the applicable Exchange or other price source as applicable to announce or publish the final closing in respect of any underlying component(s);
- (ii) the closure on any Exchange Business Day of any relevant Exchange in respect of a component of the Underlying, prior to its scheduled closing time;
- (iv) any event (other than an early closure as described above) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant component.

if in the determination of the Lead Manager or Calculation Agent, any such event is material and the disruption affects either

- (i) the Commodities on the Related Exchange; or
- (i) any options contracts or futures contracts relating to the Commodity or the Basket of Commodities, as the case may be, on any exchange on which options contracts or futures contracts on the Commodities are traded.

4.5.2 If Underlying of Products is related to Commodity Indices

"Market Disruption Event" means, in relation to Products with Commodity Indices as Underlying, the occurrence or existence in respect of any Underlying Component on any Trading Day or on any number of consecutive Trading Days any one or more of the following events:

- (i) a limitation, suspension, or disruption of trading in one or more of the Underlying Components imposed on trading by the Related Exchange or otherwise and whether by movements in price exceeding limits permitted by the Related Exchange or otherwise;
- (ii) the settlement price for any Underlying Component is a "limit price", which means that the settlement price for such Underlying Component for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable rules of the Related Exchange;
- (iii) failure by the Related Exchange or other price source as applicable to announce or publish the settlement price in respect of any Underlying Component;
- (iv) the Related Exchange fails to open for trading during its regular trading session;
- (v) the closure on any Exchange Business Day of any Related Exchange in respect of a Underlying Component, prior to its Scheduled Closing Time;
- (vi) any event (other than an early closure as described above) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for any Underlying Component,

if in the determination of the Lead Manager or Calculation Agent, any such event is material.

4.5.3 Consequences of a Market Disruption Event

4.5.3.1 If Underlying of the Products is related to Commodities (except Commodity Indices)

If the Lead Manager or Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any Valuation Date then the Valuation Date for the relevant Underlying or underlying component shall be postponed to the first following Exchange Business Day on which there is no Market Disruption Event.

In the case of Products with a Basket as Underlying, the Valuation Date for each basket component which is not affected by the Market Disruption Event shall be the originally designated Valuation Date.

If a Market Disruption Event continues for several Trading Days, then the Lead Manager or the Calculation Agent shall determine that the relevant Valuation Date may not be further postponed and fix a Valuation Date, as the case may be, nonetheless continuing Market Disruption Events. The value of affected

Underlying(s) shall then be determined by the Lead Manager or Calculation Agent in its sole and absolute discretion but in accordance with established market practice.

In case where a Valuation Date is postponed as a consequence of a Market Disruption Event, the Redemption Date, any coupon payment day or any other date, as applicable, will be postponed accordingly.

Upon the occurrence of a Market Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed 'Notices' stating that a Market Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Market Disruption Event shall not affect the validity of the occurrence and effect of such Market Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any compensation from the Issuer for any loss suffered as a result of the occurrence of a Market Disruption Event.

4.5.3.2 If Underlying of the Products is related to Commodity Indices

If the Lead Manager or Calculation Agent reasonably determines that a Market Disruption Event has occurred then the level of that Index shall not be determined by reference to the official Closing Level of the Index, if any, announced or published by the Index Sponsor on that Valuation Date, but shall instead be determined by the Calculation Agent as follows:

- (i) with respect to each Underlying Component **not affected** by the occurrence of a Market Disruption Event, the level of the Index will be based on the settlement price of such Underlying Component on the relevant Valuation Date;
- (ii) with respect to each Underlying Component which **is affected** by the occurrence of a Market Disruption Event, the level of the Index will be based on the settlement prices of each such Underlying Component on the first Exchange Business Day following the applicable Valuation Date where there is no such Market Disruption Event with respect to such Underlying Component, provided that, if there is still a Market Disruption Event on the immediately following **eight** Exchange Business Days then the price of such Underlying Component to be used in calculating the level of the Index (which for the avoidance of doubt could be zero) shall be determined by the Calculation Agent in its sole discretion and acting in good faith on the **eighth** Exchange Business Day following the relevant Valuation Date

The Calculation Agent shall determine the level of the Index in respect of the applicable Valuation Date using the settlement prices determined in sub-paragraphs (i) and (ii) above in accordance with the formula for and method of calculating the level of the Index last in effect prior to the occurrence of the Market Disruption Event.

In case where a Valuation Date is postponed as a consequence of a Market Disruption Event, the Redemption Date, any coupon payment day or any other date, as applicable, will be postponed accordingly.

Upon the occurrence of a Market Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed 'Notices' stating that a Market Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Market Disruption Event shall not affect the validity of the occurrence and effect of such Market Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any compensation from the Issuer for any loss suffered as a result of the occurrence of a Market Disruption Event.

4.6 FX Disruption Event

4.6.1 Meaning of a FX Disruption Event

"FX Disruption Event" means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects the Issuer's currency hedging (if any) with respect to the Products.

4.6.2 Consequences of an FX Disruption Event relating to the Products

Notwithstanding any other provisions contained herein the Calculation Agent may in its sole and reasonable discretion increase or decrease, as the case may be, the Redemption Amount to account for any income, loss, costs (including hedging costs) and expenses that are in the Calculation Agent's sole and reasonable discretion attributable to, or as a result of, the FX Disruption Event.

4.7 Settlement Disruption Event

4.7.1 Meaning of a Settlement Disruption Event

"Settlement Disruption Event" shall mean an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the relevant asset(s) as specified in the relevant Final Terms on the Redemption Date.

4.7.2 Consequences of a Settlement Disruption Event

If the Lead Manager or the Calculation Agent reasonably determines that a Settlement Disruption Event has occurred and is continuing on the Redemption Date, then such Redemption Date shall be postponed to the first Business Day following the termination of the Settlement Disruption Event.

If a Settlement Disruption Event continues for several Business Days, then the Lead Manager or the Calculation Agent shall determine that the Redemption Date may not be further postponed and fix a Redemption Date, as the case may be, despite continuing Settlement Disruption Events. In lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion but in accordance with established market practice to satisfy and discharge its obligations in respect of the relevant Products.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the relevant assets comprising the redemption entitlement, the Redemption Date for the relevant assets not affected by the Settlement Disruption Event will be the originally designated Redemption Date.

Upon the occurrence of a Settlement Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed 'Notices' stating that a Settlement Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Settlement Disruption Event shall not affect the validity of the occurrence and effect of such Settlement Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any compensation from the Issuer for any loss suffered as a result of the occurrence of a Settlement Disruption Event.

4.8 Listing

The Listing, if any, of the Products, will be applied for on the relevant Exchange and will be maintained on the relevant Exchange during the life of the Products.

4.9 Taxation/Tax Call

Each Investor shall assume and be responsible for any and all taxes, duties, fees and charges imposed on or levied against (or which could be imposed on or levied against) such Investor in any jurisdiction or by any governmental or regulatory authority.

The Issuer and the Paying Agent shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to the Investor such amount as is necessary for the payment of any such taxes, duties, fees and/or charges.

In any case where any governmental or regulatory authority imposes on the Issuer the obligation to pay any such taxes, duties, fees and/or charges the Investor shall promptly reimburse the Issuer.

Potential Investors should inform themselves with regard to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposal by them of any Products.

The Issuer may redeem all Products in case any present or future taxes, duties or governmental charges would be imposed by any jurisdiction in which the Issuer is or becomes subject to tax as a result of any change in laws or regulations of the relevant jurisdiction. The Lead Manager shall as soon as practicable notify the Investors of such redemption pursuant to the section headed 'Notices'.

4.10 Further Issues

The Issuer reserves the right to issue at any time, without consent of the Investors, further Products ranking pari passu with previously issued Products.

4.11 Severability and Amendment of Terms and Conditions

In the event any term or condition is, or becomes invalid, the validity of the remaining terms and conditions shall in no manner be affected thereby.

The Issuer shall be entitled to amend any term or condition for the purpose of clarifying any uncertainty, or correcting or supplementing the provisions herein in such manner as the Issuer deems necessary or desirable, provided that the Investor does not incur significant financial loss as a consequence thereof.

However, the Issuer shall at all times be entitled to amend any terms or conditions where, and to the extent, the amendment is necessitated as a consequence of legislation, decisions by courts of law, or decisions taken by governmental authorities.

4.12 Calculation

The Calculation Agent's calculations and determinations hereunder shall (save in the case of manifest error) be final and binding on the Investors. The Calculation Agent will have no responsibility for good faith errors or omissions in calculation of the value of the Underlying as provided herein.

The Investors shall not be entitled to make any claim against the Issuer in the case where the related exchange or any third party shall have made any misstatement as to the Underlying.

4.13 Substitution

The Issuer may at any time and from time to time, without the consent of the Investors, substitute for itself as obligor under the Products any affiliate, branch, subsidiary or holding company of UBS AG (the "New Issuer") provided that (i) the New Issuer shall assume all obligations that the Issuer owes to the Investors under or in relation to the Products, and (ii) such New Issuer shall at all times after such substitution have either:

- a credit rating equivalent to or better than the Issuer, or
- its obligations to Investors under the Products guaranteed by the Issuer.

If such substitution occurs, then any reference in the Product Documentation to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Investor in accordance with the section headed 'Notices'. In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be obliged to carry any consequences suffered by individual Investors as a result of the exercise of such right and, accordingly, no Investor shall be entitled to claim from the Issuer any indemnification or repayment with respect of any consequence.

4.14 Illegality

If the Issuer determines that the performance of its obligations under the Products or that any arrangements made to hedge the Issuer's obligations have become illegal in whole or in part for any reason, the Issuer may cancel the Products by providing notice to Investors in accordance with the section headed 'Notices'.

If the Issuer cancels the Products then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Investor in respect of each Product held by an Investor. The amount shall be the fair market value of a Product less the costs incurred by the Issuer when unwinding any underlying related hedging arrangements, all as determined by the Lead Manager or Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as will be notified to the Investors in accordance with the section headed 'Notices'.

4.15 Notices

4.15.1 To the Issuer

Notice may be given to the Issuer by delivering such notice in writing to UBS at Bahnhofstrasse 45, P.O.Box, CH-8098 Zurich or such other address as may be notified to the Investors in accordance with this section.

4.15.2 To the Investors

All notices shall be validly given by publication in electronic media such as Reuters and/or Investdata. In addition, any changes with regard to the terms of the Products shall be published on the internet at www.ubs.com/keyinvest.

4.16 Statutory Period of Limitation

In accordance with Swiss law, claims of any kind against the Issuer in connection with the Products for, inter alia, payment of any amount, or, if applicable, delivery of any Underlying will be prescribed 10 years after the date on which the early or regular redemption of the Products (whichever is applicable), has become due.

4.17 Proceeds from the Sale of Products

The net proceeds from the sale of the Products will be used by the Issuer for general corporate purposes.

The Issuer has taken the necessary steps to secure its obligations.

4.18 Applicable Law and Jurisdiction

The form and contents of the Products are subject to and governed by Swiss law. Exclusive place of jurisdiction for all disputes affecting the Products and the rights and obligations attached thereto shall be Zurich, Switzerland.



Description of UBS AG

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1. Overview

UBS AG with its subsidiaries (together, "UBS AG consolidated", or "UBS AG Group"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "UBS Group", "Group", "UBS" or "UBS Group AG consolidated") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Group Functions and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS concentrates on capital-efficient businesses in its targeted markets, where UBS has a strong competitive position and an attractive long-term growth or profitability outlook. UBS views capital strength as the foundation of its strategy. In delivering all of UBS as one firm to its clients, UBS intends to: strengthen its leading client franchises and grow share; position UBS for growth by expanding its services and capabilities; drive greater efficiencies and scale; and further intensify collaboration for the benefit of its clients.

On 30 June 2020, UBS Group's common equity tier 1 ("CET1") capital ratio was 13.3%, the CET1 leverage ratio was 3.92% (CET1 leverage ratio with temporary FINMA exemption was 4.31%)¹, the total loss-absorbing capacity ratio was 32.7%, and the total loss-absorbing capacity leverage ratio was 9.6%.² On the same date, invested assets stood at USD 3,588 billion, equity attributable to shareholders was USD 57,035 million and market capitalisation was USD 41,303 million. On the same date, UBS employed 69,931 people³.

On 30 June 2020, UBS AG consolidated CET1 capital ratio was 13.1%, the CET1 leverage ratio was 3.84% (CET1 leverage ratio with temporary FINMA exemption was 4.11%)¹, the total loss-absorbing capacity ratio was 32.0%, and the total loss-absorbing capacity leverage ratio was 9.3%.² On the same date, invested assets stood at USD 3,588 billion and equity attributable to UBS AG shareholders was USD 55,416 million. On the same date, UBS AG Group employed 47,120 people³.

The rating agencies S&P Global Ratings Europe Limited ("Standard & Poor's"), Moody's Deutschland GmbH ("Moody's"), and Fitch Ratings Limited ("Fitch Ratings") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from Standard & Poor's, long-term senior debt rating of Aa3 (outlook: stable) from Moody's, and long-term issuer default rating of AA- (outlook: negative) from Fitch Ratings.

An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its

¹ Refer to the "*Recent developments*" and the "*Capital management*" sections of the UBS Group Second Quarter 2020 Report for further details about the temporary FINMA exemption.

² All figures based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "*Capital management*" section of the Annual Report 2019 and of the UBS Group Second Quarter 2020 Report, as defined herein, for more information.

³ Full-time equivalents.



securities. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.

No profit forecasts or estimates are included in this document.

No recent events particular to UBS AG have occurred, which are to a material extent relevant to the evaluation of UBS AG's solvency.

2. Corporate Information

2.1 Corporate Information

The legal and commercial name of the company is UBS AG.

The company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an *Aktiengesellschaft*, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.

According to article 2 of the articles of association of UBS AG dated 26 April 2018 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

2.2 UBS's borrowing and funding structure and financing of UBS's activities

For information on UBS's expected financing of its business activities, please refer to "Balance sheet, liquidity and funding management" in the "Treasury management" section of the Annual Report 2019.

3. Business Overview

3.1 Organisational Structure of UBS AG

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and Group Functions.

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its wealth management subsidiaries in various European countries into UBS Europe SE, UBS's German-headquartered European subsidiary. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG. Effective 1 April 2019, the portion of the Asset Management business in Switzerland conducted by UBS AG was transferred from UBS AG to its indirect subsidiary, UBS Asset Management Switzerland AG.

UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

In March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's then scheduled departure from the EU. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services. Refer to "*Risk Factors - UBS has made certain structural changes in light of regulatory trends and requirements and the Terms and Conditions do not contain any restrictions on change of control events or on the Issuer's or UBS's ability to restructure its business*" above.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2019, including interests in significant subsidiaries, are discussed in "Note 31 Interests in subsidiaries and other entities" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2019 published on 28 February 2020 ("Annual Report 2019").

UBS AG's interests in subsidiaries and other entities as of 31 December 2019, including interests in significant subsidiaries, are discussed in "*Note 31 Interests in subsidiaries and other entities*" to the UBS AG's consolidated financial statements included in the Annual Report 2019.

UBS AG is the parent company of, and conducts a significant portion of its operations through, its subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group.

3.2 Business Divisions and Group Functions

UBS operates as a group with four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management, and the Investment Bank) and Group Functions. Each of the business divisions and Group Functions are described below. A description of the Group's strategy can be found under "*Our strategy*" in the "*Our strategy, business model and environment*" section of the Annual Report 2019; a description of the businesses, strategies, clients, organisational structures, products and services of the business divisions and the Corporate Center (now referred to as Group Functions) can also be found in the "*Our strategy, business model and environment*" section of the Annual Report 2019.

3.2.1 Global Wealth Management

Global Wealth Management provides investment advice and solutions to private clients, in particular in the ultra high net worth and high net worth segments. Clients benefit from Global Wealth Management's comprehensive set of capabilities, including wealth planning, investing, lending, asset protection, philanthropy, corporate and banking services, as well as family office services in collaboration with the Investment Bank and Asset Management. Global Wealth Management has a global footprint, with the US representing its largest market. Clients are served through local offices and dedicated advisors.

Effective 1 January 2020, UBS implemented organizational changes in its Global Wealth Management division. UBS created three distinct business units within EMEA: Europe; Central and Eastern Europe, Greece and Israel; and Middle East and Africa. UBS is also making its Global Family Office capabilities available to more clients. Refer to "*Recent Developments*" in the UBS Group First Quarter 2020 Report for more information.

3.2.2 Personal & Corporate Banking

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients and operates in Switzerland in the private and corporate loan market. Personal & Corporate Banking is central to UBS's universal bank model in Switzerland and it works with Global Wealth Management, the Investment Bank and Asset Management to help clients receive the best products and solutions for their specific financial needs. While Personal & Corporate Banking operates primarily in its home market of Switzerland, it also provides capabilities to support the growth of the international business activities of UBS's corporate and institutional clients through local hubs in Frankfurt, New York, Hong Kong and Singapore. The business is divided into Personal Banking and Corporate & Institutional Clients (CIC).

3.2.3 Asset Management

Asset Management is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and Global Wealth Management clients around the

world. Asset Management offers clients a wide range of investment products and services in different asset classes in the form of segregated, pooled or advisory mandates, as well as registered investment funds in various jurisdictions. It covers the main asset management markets globally, and has a local presence grouped in four regions: the Americas; Europe, Middle East and Africa; Switzerland; and Asia Pacific.

3.2.4 *Investment Bank*

The Investment Bank provides a range of services to institutional, corporate and wealth management clients to help them raise capital, grow their businesses, invest and manage risks. It is focused on its traditional strengths in advisory services, capital markets, equities and foreign exchange, complemented by a targeted rates and credit platform. The Investment Bank uses its research and technology capabilities to support its clients as they adapt to the evolving market structures and changes in the regulatory, technological, economic and competitive landscapes. The Investment Bank delivers solutions to clients, using its intellectual capital and electronic platforms. It also provides services to Global Wealth Management, Personal & Corporate Banking and Asset Management. It has a global reach, with principal offices in the major financial hubs.

Structural changes made in UBS's Investment Bank came into effect on 1 January 2020. Corporate Client Solutions and Investor Client Services were renamed Global Banking and Global Markets, respectively. Global Banking has two product verticals – Capital Markets and Advisory – consistent with its global coverage model, and including corporate lending and associated hedging activities. Global Markets combines Equities and Foreign Exchange, Rates and Credit (FRC), into three product verticals: Execution & Platform, Derivatives & Solutions, and Financing.

3.2.5 *Group Functions*

Corporate Center has been renamed Group Functions and includes Group Treasury, Non-core and Legacy Portfolio ("NCL"), and Group Services. Over recent years, UBS has progressively aligned its support functions with the business divisions. The majority of these functions are either fully aligned or shared among business divisions, where they have full management responsibility. Group Treasury manages the structural risk of UBS's balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as the risks associated with the Group's liquidity and funding portfolios. Group Treasury serves all business divisions through two main risk management areas, and its risk management is fully integrated into the Group's risk governance framework. NCL manages legacy positions from businesses exited by the Investment Bank. It is overseen by a committee chaired by the Group Chief Risk Officer. The portfolio also includes positions relating to legal matters arising from businesses that were transferred to it at the time of its formation.

3.3 Competition

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented, regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

Any statements regarding the competitive position of UBS AG, UBS AG Group or the Group contained in this document are made on the basis of the opinion of UBS AG or the Group.

3.4 Recent Developments

3.4.1 UBS AG consolidated key figures

Selected consolidated financial information

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2019, 2018 and 2017 from the Annual Report 2019, except where noted. The selected consolidated financial information included in the table below for the six months ended 30 June 2020 and 30 June 2019 was derived from the UBS AG Second Quarter 2020 Report.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Information for the years ended 31 December 2019, 2018 and 2017 which is indicated as being unaudited in the table below was included in the Annual Report 2019, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2019 and the UBS AG Second Quarter 2020 Report are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below.

USD million, except where indicated	As of or for the six months ended		As of or for the year ended		
	30.6.20	30.6.19	31.12.19	31.12.18	31.12.17
	<i>unaudited</i>		<i>audited, except where indicated</i>		
Results					
Income statement					
Operating income	15,521	14,975	29,307	30,642	30,044
Net interest income ¹	2,689	2,104	4,415	4,971	6,021
Net fee and commission income	9,336	8,631	17,460	17,930	17,550
Credit loss (expense) / recovery	(540)	(33)	(78)	(117)	(131)
Other net income from financial instruments measured at fair value through profit or loss ¹	3,719	3,872	6,833	6,953	5,640
Operating expenses	12,197	11,864	24,138	25,184	24,969
Operating profit / (loss) before tax	3,324	3,110	5,169	5,458	5,076
Net profit / (loss) attributable to shareholders	2,615	2,375	3,965	4,107	758
Balance sheet ²					
Total assets	1,063,435		971,916	958,055	940,020
Total financial liabilities measured at amortized cost	675,446		617,429	612,174	660,498
<i>of which: customer deposits</i>	477,145		450,591	421,986	423,058
<i>of which: debt issued measured at amortized cost</i>	77,186		62,835	91,245	107,458
<i>of which: subordinated debt</i>	7,598		7,431	7,511	9,217
Total financial liabilities measured at fair value through profit or loss	323,729		291,452	283,717	217,814
<i>of which: debt issued designated at fair value</i>	57,644		66,592	57,031	50,782

Loans and advances to customers	345,783		327,992	321,482	328,952
Total equity	55,589		53,928	52,432	52,046
Equity attributable to shareholders	55,416		53,754	52,256	51,987
Profitability and growth					
Return on equity (%) ³	9.3	9.0	7.4*	7.9*	1.4*
Return on tangible equity (%) ⁴	10.5	10.3	8.5*	9.1*	1.6*
Return on common equity tier 1 capital (%) ⁵	14.4	13.5	11.3*	11.9*	2.3*
Return on risk-weighted assets, gross (%) ⁶	11.6	11.4	11.2*	12.0*	12.8*
Return on leverage ratio denominator, gross (%) ⁷	3.4	3.3	3.2*	3.4*	3.4*
Cost / income ratio (%) ⁸	75.9	79.1	82.1*	81.9*	82.7*
Net profit growth (%) ⁹	10.1	(11.8)	(3.4)*	441.9*	(77.4)*
Resources					
Common equity tier 1 capital ^{10, 11}	37,435	35,881	35,280	34,608	34,100*
Risk-weighted assets ¹⁰	284,798	261,364	257,831*	262,840*	242,725*
Common equity tier 1 capital ratio (%) ¹⁰	13.1	13.7	13.7*	13.2*	14.0*
Going concern capital ratio (%) ¹⁰	17.9	17.8	18.3*	16.1*	15.6*
Total loss-absorbing capacity ratio (%) ¹⁰	32.0	33.0	33.9*	31.3*	31.4*
Leverage ratio denominator ¹⁰	974,124	911,601	911,232*	904,458*	910,133*
Leverage ratio denominator (with temporary FINMA exemption) ¹²	910,070	-	-	-	-
Common equity tier 1 leverage ratio (%) ¹⁰	3.84	3.94	3.87*	3.83*	3.75*
Common equity tier 1 leverage ratio (%) (with temporary FINMA exemption) ¹²	4.11	-	-	-	-
Going concern leverage ratio (%) ¹⁰	5.2	5.1	5.2*	4.7*	4.2*
Going concern leverage ratio (%) (with temporary FINMA exemption) ¹²	5.6	-	-	-	-
Total loss-absorbing capacity leverage ratio (%) ¹⁰	9.3	9.5	9.6*	9.1*	8.4*
Other					
Invested assets (USD billion) ¹³	3,588	3,381	3,607	3,101	3,262
Personnel (full-time equivalents)	47,120	47,072	47,005*	47,643*	46,009*

* unaudited

¹ Effective 1 January 2019, UBS AG refined the presentation of dividend income and expense. This resulted in a reclassification of dividends from *Interest income (expense) from financial instruments measured at fair value through profit or loss* into *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*). *Net Interest Income* and *Other net income from financial instruments measured at fair value through profit or loss* for prior-year comparative was restated accordingly.

² Balance sheet information for year ended 31 December 2017 is derived from the Annual Report 2018.

³ Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.

⁴ Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. Effective 1 January 2019, the definition of the numerator for return on tangible equity has been revised to align it with the numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information about the profitability of the business in relation to tangible equity.

⁵ Calculated as net profit attributable to shareholders (annualized as applicable) divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.

⁶ Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.

⁷ The leverage ratio denominators as of 30 June 2020 and 31 March 2020, which are used for the return calculation, do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. Refer to the "Recent developments" section of the UBS Group Second Quarter 2020 Report for more information. Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.

⁸ Calculated as operating expenses divided by operating income before credit loss expense or recovery. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.

⁹ Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period. This measure provides information about profit growth in comparison with the prior-year period.

¹⁰ Based on the Swiss systemically relevant bank framework as of 1 January 2020.

¹¹ The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) was audited.

¹² Within the context of the current COVID-19 pandemic and related measures adopted by governments and regulators, FINMA has permitted banks to temporarily exclude central bank sight deposits from the leverage ratio denominator for the purpose of calculating going concern ratios until 1 January 2021. Refer to the "Recent developments" and the "Capital management" sections of the UBS Group Second Quarter 2020 Report for further details about the temporary FINMA exemption.

¹³ Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.

3.4.2 Business and strategic developments

UBS's response to COVID-19

The COVID-19 pandemic has required UBS's ongoing focus on safeguarding the well-being of its employees and their families, serving UBS clients, and preserving operational continuity.

UBS's employees and external workforce have continued to work from home to a substantial degree, with around 90,000 internal and external staff being able to access UBS's systems remotely. Restrictions around office-based work have been adapted and partially lifted toward the end of the second quarter of 2020 based on UBS's thorough assessments of country-, location- and job-specific circumstances, as well as on governmental requirements.

UBS demonstrated sustained resilience in the second quarter, underscoring the benefits of its integrated and diversified business model, disciplined risk management and ongoing investment in technology and infrastructure. The measures UBS has implemented to adapt to the COVID-19 pandemic have proven largely effective in addressing the relevant challenges and operational risks and some of these measures represent an acceleration of longer-term plans.

UBS is actively engaged in lending activities to support its clients and the economy, and UBS is involved in the execution of government-backed programs to assist businesses. UBS has continued to provide loans under the loan guarantee program in Switzerland that was established by the Swiss Federal Council in March 2020 to support small and medium-sized entities ("SMEs"). As of 17 July 2020, UBS has processed more than 24,000 applications from clients under this program and have committed CHF 2.7 billion of loans up to CHF 0.5 million, which are 100% guaranteed by the Swiss government, and CHF 0.5 billion of loans between CHF 0.5 million and CHF 20 million, which are 85% government-guaranteed. CHF 1.5 billion (47%) has been drawn under the program. UBS remains committed to donating any potential profits in relation to the government-backed lending

program to COVID-19 relief efforts; however, as previously communicated, it does not expect any such profits in 2020.

Credit impairments and expected credit losses under IFRS 9 have remained at elevated levels during the second quarter of 2020, as a result of continued and forecasted adverse economic conditions. While the pandemic-related credit loss expenses UBS has recognized to date reflect its outlook and forecast as of the end of the second quarter of 2020, given the continued uncertainty related to the effects of the COVID-19 pandemic on businesses and the economy, it is reasonable to expect elevated credit loss expenses to persist year on year during the second half of 2020, although at lower levels than seen in the first half of 2020.

Key developments in UBS's risk management and control – credit risk

Credit loss expense / recovery – Total net credit loss expenses were USD 272 million during the second quarter of 2020, compared with USD 268 million during the first quarter of 2020, reflecting net expenses of USD 202 million related to stage 1 and 2 positions and net expenses of USD 70 million related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss expenses of USD 202 million were primarily driven by a net expense of USD 127 million from an update to the forward-looking scenarios, factoring in updated macroeconomic assumptions to reflect the effects of the COVID-19 pandemic, in particular updated GDP and unemployment assumptions. This also led to exposure movements from stage 1 to stage 2 as probabilities of default increased. The remaining stage 1 and 2 expenses of USD 75 million mainly reflect the effects of expert judgement overlays for selected exposures to Swiss large corporates and small and medium-sized entities, as well as remeasurements within UBS's loan book, mainly in the Investment Bank. These were partly offset by recoveries on energy-related exposures and securities financing transactions with a number of real estate investment trusts, where UBS had increased allowances in the first quarter of 2020.

Stage 3 net credit loss expenses were USD 70 million. In the Investment Bank, stage 3 net expenses of USD 22 million were driven by USD 38 million of expenses recognized across various positions, partly offset by recoveries on securities financing transactions with a number of real estate investment trusts, where UBS had increased allowances in the first quarter of 2020. In Group Functions, stage 3 expenses of USD 20 million arose from an energy-related exposure in the Non-core and Legacy Portfolio. In Global Wealth Management, stage 3 net expenses of USD 19 million primarily reflected USD 9 million on a single structured margin-lending position, with the remaining USD 10 million on a number of smaller positions across the portfolios. In Personal & Corporate Banking, stage 3 net expenses of USD 10 million arose primarily on two newly defaulted clients in the corporate lending portfolio.

Committed credit facilities – Drawings under committed credit facilities remained stable as UBS did not observe a marked increase in drawing of existing credit facilities by clients over the second quarter of 2020. UBS manage its credit risk on the aggregate of drawn and committed undrawn credit facilities and model full drawing of committed facilities in UBS's stress testing framework.

Loan underwriting – In the Investment Bank, new loan underwriting activity was slow during the quarter; but nevertheless, distributions progressed well. As of 30 June 2020, loan underwriting commitments totaled USD 5.2 billion on a notional basis (compared with USD 10.8 billion as of 31 March 2020). All of the loan underwriting commitments were mandated. In aggregate USD 1.9 billion of commitments have exceeded UBS's distribution target dates, due to challenging market conditions. Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter. Credit hedges are in place and fair value write-downs were more than offset by gains on credit hedges.

Exposures to the oil and gas sector – During the second quarter of 2020, oil prices recovered somewhat from the decline in the first quarter of the year; although they remain at low levels.

UBS has significantly reduced its exposure to the oil and gas sector in recent years. As of 30 June 2020, total net lending exposure directly related to the production and supply of oil and gas totaled USD 1.4 billion, all of which is in the Investment Bank and Non-core and Legacy Portfolio. 70% of UBS's net exposure of USD 1.4 billion was with investment-grade-rated counterparties. In addition, UBS closely monitor its exposures related to its commodity trade finance activities within Personal & Corporate Banking. Risks in this business are mostly idiosyncratic non-financial risks.

Overall banking products exposures – Overall banking products exposure increased by USD 30 billion to USD 594 billion as of 30 June 2020. USD 10 billion of this increase related to balances at central banks, USD 7 billion to loans and advances to customers and USD 11 billion to loan commitments. The credit-impaired gross exposure decreased by USD 353 million to USD 3,854 million as of 30 June 2020. The decrease stemmed mainly from recoveries of securities financing transactions and real estate investment trusts in the Investment Bank and Group Functions. In Personal & Corporate Banking, loans and advances to customers increased by USD 5.5 billion, mainly due to the Swiss government-backed lending program for small and medium-sized entities, as well as a few large loans to investment grade Swiss multi-nationals. In Global Wealth Management, the USD 4.5 billion increase of loans and advances to customers was mainly driven by higher volumes of Lombard loans. In the Investment Bank, loans and advances to customers decreased by USD 1.6 billion, mainly due to large corporate clients. Exposure related to traded products decreased by USD 10.0 billion over the second quarter of 2020, mainly driven by decreased market volatility.

Lombard and securities-based lending – After peaks in March, the number and volume of margin calls in Global Wealth Management for Lombard and securities-based lending returned to normal levels from mid-April onward. The average loan-to-value ("LTV") for the portfolio was approximately 50% as of 30 June 2020.

Swiss mortgage portfolio – Of UBS's total Swiss real estate portfolio of USD 156 billion, USD 141 billion related to Swiss residential real estate, USD 6 billion to commercial retail and office real estate, and a further USD 9 billion to industrial and other real estate. The residential portfolio consists of USD 116 billion for single-family homes (average LTV of 55%) and USD 24 billion in residential income-producing real estate (average LTV of 53%). In particular UBS is carefully monitoring the level of risk in its Swiss commercial retail and office real estate portfolio (average LTV of 47%) and its resilience to the economic impact of COVID-19. UBS has seen only a very limited number of requests for suspension of amortization payments in the first half of 2020 across UBS's mortgage portfolios.

Exposure to the Swiss economy and Swiss corporates – Within Personal & Corporate Banking, risks related to UBS's exposures to certain industry sectors has increased. Industries in focus with a negative outlook include tourism; culture, sports & education; and watches; as well as media and, to a lesser degree, retail. UBS's exposure to the tourism sector (including hotels, restaurants and transport) totalled USD 1.9 billion as of 30 June 2020, with hotels accounting for USD 0.9 billion of this exposure. UBS's exposure to the culture, sports & education sector was USD 0.9 billion, exposure to the media sector amounted to USD 0.3 billion, exposure to the watch sector was USD 0.2 billion, and exposure to the retail sector was USD 1.7 billion. Apart from a few large counterparties, UBS's exposures within these sectors is highly diversified across Switzerland.

3.4.3 *Accounting, regulatory, legal and other developments*

In May 2020, FINMA published guidance related to regulatory exemptions that were provided in the first quarter of 2020 in light of the COVID-19 pandemic. Based on such guidance, the temporary exemption that permits banks to exclude central bank sight deposits from the LRD for the purpose of calculating going concern ratios has been extended for all banks from 1 July 2020 until 1 January 2021.

The loan guarantee program that was set up by the Swiss Federal Council in March 2020 to provide liquidity to Swiss SMEs via Swiss banks permits the issuance of new credit lines until 31 July 2020. The Swiss Federal Council issued a draft law in July 2020 with a planned duration until 31 December 2032, seeking to transpose the loan guarantee program created under the emergency law in March 2020 into a federal law. The law will include provisions to terminate temporary measures early.

US regulatory authorities temporarily eased the supplementary leverage ratio (“SLR”) requirements for subsidiary banks of bank holding companies and intermediate holding companies in May 2020. UBS Americas Holding LLC has been subject to SLR requirements for local US reporting since 1 April 2020. The relief also permits exclusion of US Treasury securities and deposits at Federal Reserve Banks from the SLR denominator through March 2021.

The EU has adjusted the Capital Requirements Regulation, with no significant impact on UBS Group AG.

Brexit

Following the UK’s withdrawal from the EU, negotiations are continuing on the future EU–UK relationship ahead of the end of the transition period, which is scheduled to expire on 31 December 2020.

The UK and EU had both committed to complete the various equivalence assessments under existing financial services legislation by June 2020, but no further information from the EU and UK authorities about the outcome of those assessments has been released. It is unclear whether and when the EU and the UK will grant equivalence to each other.

Should the UK exit the transition period without at least the majority of equivalence determinations in place, significant market disruption may result. UBS Europe SE’s exposures to UK central counterparties (“CCPs”) would need to be migrated to an EU CCP before the end of the transition period. In addition, a number of market structure issues remain unresolved, including the operation of derivatives and share trading obligations under the EU’s Markets in Financial Instruments Directive II.

Developments related to the transition away from IBORs

The UK PRA and the FCA have confirmed that the deadline for transitioning away from LIBOR remains the end of 2021. Her Majesty’s Treasury has also announced that the FCA will be given additional powers to ensure a smooth wind-down of LIBOR and deal with complex legacy contracts that cannot transition from LIBOR. While the end-of-2021 deadline remains, various national working groups have deferred interim transition milestones in response to the progress being made by the market and increased challenges introduced by COVID-19.

Across various markets, UBS has a substantial number of contracts linked to interbank offered rates. The new, risk-free alternative reference rates (“ARRs”) do not currently provide a term structure, which will require a change in the contractual terms of products currently indexed on terms other than overnight. With the exception of the Sterling Overnight Interbank Average rate (SONIA), liquidity in ARR’s remains low. Following two market-wide consultations undertaken by the International Swaps and Derivatives Association, a key milestone for the derivatives markets is the publication of a revised fallback clause.

UBS has established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition. UBS is committed to timely, orderly transition by the end of 2021; however, some contracts based on legacy IBORs will likely remain beyond 2021. In May 2020, UBS launched its Swiss Average Rate Overnight (SARON) mortgage in the Swiss market.

Refer to the "Recent developments" section of the UBS Group Second Quarter 2020 Report, as well as to the "Regulatory and legal developments" in the "Our strategy, business model and

environment" section of the Annual Report 2019 for further information on key accounting, regulatory, legal and other developments.

3.5 Trend Information

As indicated in the UBS Group Second Quarter 2020 Report, while measures to contain the COVID-19 pandemic have had initial success in some countries, there has been material disruption to many businesses as well as increased unemployment. The timing and path of recovery is likely to vary widely based on effectiveness of efforts to control the spread of COVID-19 and economic stimulus measures in different countries as well as increasing geopolitical tensions and political uncertainties. The range of possible outcomes remains very wide, and making reliable predictions about the timing and shape of any potential economic recovery remains difficult. Given the continued uncertainty related to the pandemic, it is reasonable to expect elevated Group credit loss expenses in the second half of 2020, but below those seen in the first half of the year. The majority of UBS's credit exposures are either with its Global Wealth Management clients or in Switzerland, and are of high quality. Switzerland's effective crisis management measures will help it withstand this shock to the economy. Higher market levels at the start of the quarter will benefit recurring fee income. UBS's ongoing actions to improve net interest income, including loan growth, should partly offset higher liquidity costs incurred to respond to the current environment, in addition to US dollar interest rate headwinds. Going forward, the pandemic, along with seasonality, may have an impact on client activity levels. UBS remains focused on supporting its employees, clients and the economies in which it operates while executing on its strategic plans and maintaining disciplined approach to managing risks across the firm.

Refer to "*Our environment*" and "*Risk factors*" in the "*Our strategy, business model and environment*" section of the Annual Report 2019 for more information.

4. Administrative, Management and Supervisory Bodies of UBS AG

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the New York Stock Exchange ("NYSE"), UBS AG also complies with the relevant NYSE corporate governance standards applicable to foreign private issuers.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("BoD") exercises the ultimate supervision over management, whereas the Executive Board ("EB"), headed by the President of the Executive Board ("President of the EB"), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS AG, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG with their annexes.

4.1 Board of Directors

The BoD consists of at least five and no more than twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("AGM") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

The BoD meets as often as business requires, and at least six times a year.

4.1.1 Members of the Board of Directors

Member and business address	Title	Term of office	Current principal activities outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2021	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Councils of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics, University of Zurich; member of the Trilateral Commission.
Jeremy Anderson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Vice Chairman	2021	Vice-Chairman and Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.

William C. Dudley UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Board of Directors of Treliant LLC; member of the Group of Thirty; member of the Council on Foreign Relations; member of the Bretton Woods Committee's Advisory Council.
Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director, chair of the nomination committee); Chairman of the board of Swiss International Air Lines AG; board member of MedTech Innovation Partners AG; executive director and member of myTAMAR GmbH.
Fred Hu UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; board member of Hong Kong Exchanges and Clearing Ltd.; founder and chairman of Primavera Capital Group; board member of China Asset Management; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations.
Mark Hughes UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; member of the Board of Euronext N.V.; member of the Board of Veolia Environnement SA.
Julie G. Richardson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Vereit, Inc. (chair of the compensation committee); member of the board of Datalog (chair of the audit committee).
Beatrice Weder di Mauro UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; professor of international economics at the Graduate Institute Geneva (IHEID); president of the Centre for Economic Policy Research in London; Research Professor and Distinguished Fellow at the Emerging Markets Institute at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the Foundation Board of the International Center for Monetary and Banking Studies (ICMB); member of the Franco-German Council of Economic Experts.
Dieter Wemmer UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); member of the Berlin Center of Corporate Governance.
Jeanette Wong UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; board member of EssilorLuxottica; board member of Jurong Town Corporation; board member of PSA International; board member of FFMC Holdings Pte. Ltd. and of Fullerton Fund Management Company Ltd.; member of the Management Advisory Board of NUS Business School; member of the Global Advisory Board, Asia, University of Chicago Booth School of Business; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.

4.1.2 Organisational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, BoD committee members, and their respective Chairpersons. At the same meeting, the BoD appoints a Company Secretary, who acts as secretary to the BoD and its committees.

The BoD permanent committees comprise the Audit Committee, the Compensation Committee and the Risk Committee. The BoD may set up other committees, including so-called ad hoc committees, if it deems such other committees appropriate or necessary, such as the Special Committee and the Strategy Committee.

4.2 Executive Board ("EB")

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

4.2.1 Members of the Executive Board

The current members of the EB are listed below. In addition, UBS announced Ralph Hamers will join the EB as of 1 September 2020 and will succeed Sergio P. Ermotti as President of the EB effective 1 November 2020.

Member and business address	Function	Current principal activities outside UBS AG
Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; Chairman of the UBS Optimus Foundation board; member of the Board of Swiss Re Ltd.; Chairman of the Fondazione Ermotti, Lugano; board member of the Swiss-American Chamber of Commerce; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires; member of the Said Business School Global Leadership Council, University of Oxford.
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Suni Harford UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	President Asset Management	Member of the Executive Board, President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; member of the Leadership Council of the Bob Woodruff Foundation; member of the Board of UBS Optimus Foundation.
Robert Karofsky UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG; president and board member of UBS Securities LLC; trustee of the UBS Americas Inc. Political Action Committee.
Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer and President UBS Europe, Middle East and Africa	Member of the Group Executive Board, Group Chief Operating Officer and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; board member of UBS Business Solutions AG; member of the Foundation Council of the UBS International Center of Economics in Society; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; board

		member of the University Hospital Zurich Foundation.
Iqbal Khan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management	Member of the Executive Board and co-President Global Wealth Management of UBS Group AG; board member of Room To Read Switzerland.
Edmund Koh UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of the Singapore Ministry of Finance's Committee on the Future Economy Sub-Committee; member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore; member of the Asian Bureau of Finance and Economic Research; member of the Board of Trustees of the Wealth Management Institute, Singapore; board member of Next50 Limited; trustee of the Cultural Matching Fund; board member of Medico Suites (S) Pte Ltd; board member of Medico Republic (S) Pte Ltd; Council member of the KidSTART program of Early Childhood Development Agency Singapore.
Tom Naratil UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultants for the College of Nursing at Villanova University.
Piero Novelli UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG.
Markus Ronner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.

4.3 Potential Conflicts of Interest

Members of the BoD and the EB may act as directors or executive officers of other companies (for current principal positions outside UBS AG, if any, of BoD and EB members, please see sections 4.1.1 and 4.2.1 above, respectively) and may have economic or other private interests that differ from those of UBS AG. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or EB has or will have a function within a company, the shares of which are or will be traded by UBS AG or which has or will have a business relationship with UBS AG. UBS AG is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

Other than as indicated above, UBS is not aware of potential conflicts of interests between any duties to the Issuer of the members of the BoD and the EB and their private interests or other duties.

5. Auditors

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGMs of 26 April 2018, 18 April 2019 and 27 April 2020, Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel ("Ernst & Young") was elected as auditor for the consolidated and standalone financial statements of UBS AG for a one-year term.

Ernst & Young is a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary.

6. Major Shareholders of UBS AG

UBS Group AG owns 100% of the outstanding shares of UBS AG. UBS AG is a wholly owned subsidiary of UBS Group AG. While UBS has no specific corporate measures intended to prevent abuse of control to the detriment of minority shareholders, UBS has adopted a comprehensive and integrated governance framework which takes into account the specific requirements of each relevant jurisdiction. This governance framework includes separate articles of association and organizational regulations for UBS Group AG and UBS AG. In addition, as UBS AG is regulated as a bank in Switzerland, it is subject to capital regulation and close supervisory oversight. This includes the general requirement under Swiss law that contracts of UBS AG with affiliates are subject to an arm's length principle of negotiation.

7. Financial Information concerning UBS AG's Assets and Liabilities, Financial Position and Profits and Losses

7.1 Historical Annual Financial Information

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2019 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2019 and in the UBS AG's standalone financial statements for the year ended 31 December 2019 (the "Standalone Financial Statements 2019"), respectively; and for financial year 2018 it is available in the "*UBS AG consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2018, published on 15 March 2019 ("Annual Report 2018") and in the UBS AG's standalone financial statements for the year ended 31 December 2018 (the "Standalone Financial Statements 2018"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2019, reference is made to:

- (i) the following parts of the Annual Report 2019: the UBS AG consolidated financial statements, in particular to the Income statement on page 498, the Balance sheet on page 501, the Statement of changes in equity on pages 502-505 (inclusive), the Statement of cash flows on pages 507-508 (inclusive) and the Notes to the consolidated financial statements on pages 510-685 (inclusive); and
- (ii) the following parts of the Standalone Financial Statements 2019: the Income statement on page 2, the Balance sheet on pages 3-4, the Statement of proposed appropriation of total profit and dividend distribution on page 6, and the Notes to the UBS AG standalone financial statements on pages 7-29 (inclusive).

With respect to the financial year 2018, reference is made to:

- (i) the following parts of the Annual Report 2018: the UBS AG consolidated financial statements, in particular to the Income statement on page 524, the Balance sheet on page 527, the Statement of changes in equity on pages 528-531 (inclusive), the Statement of cash flows on pages 533-534 (inclusive) and the Notes to the consolidated financial statements on pages 535-722 (inclusive); and
- (ii) the following parts of the Standalone Financial Statements 2018: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of total profit / (loss) carried forward on page 5, and the Notes to the UBS AG standalone financial statements on pages 6-28 (inclusive).

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and the Group Functions. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

7.2 Auditing of Historical Annual Financial Information

The consolidated financial statements and the standalone financial statements of UBS AG for financial years 2019 and 2018 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 487-497 (inclusive) of the Annual Report 2019 and on pages 514-523 (inclusive) of the Annual Report 2018. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 30-33 (inclusive) of the Standalone Financial Statements 2019 and on pages 29-33 (inclusive) of the Standalone Financial Statements 2018.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2019 and 31 December 2018, which are incorporated by reference into this document.

7.3 Interim Financial Information

Reference is also made to the UBS Group AG first quarter 2020 report published on 28 April 2020 ("UBS Group First Quarter 2020 Report"), and the UBS AG first quarter 2020 report published on 4 May 2020 ("UBS AG First Quarter 2020 Report"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2020; and to (ii) the UBS Group AG second quarter 2020 report published on 21 July 2020 ("UBS Group Second Quarter 2020 Report") and the UBS AG second quarter 2020 report, published on 24 July 2020 ("UBS AG Second Quarter 2020 Report"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2020. The interim consolidated financial statements are not audited.

7.4 Incorporation by Reference

The Annual Report 2019, the Standalone Financial Statements 2019, the Annual Report 2018, the Standalone Financial Statements 2018, the UBS Group First Quarter 2020 Report, the UBS AG First Quarter 2020 Report, the UBS Group Second Quarter 2020 Report and the UBS AG Second Quarter 2020 Report are fully incorporated in, and form an integral part of, this document.

7.5 Litigation, Regulatory and Similar Matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this section may refer to UBS AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to

which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, UBS states that it has established a provision, and for the other matters, it makes no such statement. When UBS makes this statement and it expects disclosure of the amount of a provision to prejudice seriously its position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, UBS does not disclose that amount. In some cases UBS is subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which UBS does not state whether it has established a provision, either: (a) it has not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) it has established a provision but expects disclosure of that fact to prejudice seriously its position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which UBS has established provisions, UBS is able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which it is able to estimate expected timing is immaterial relative to its current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in "*Note 15a Provisions*" of the UBS AG's interim unaudited consolidated financial statements included in the UBS AG Second Quarter 2020 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with

submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("LIBOR"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group Second Quarter 2020 Report.

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS
Balance as of 31 December 2019	782	113	0	255	1,325	2,475
Balance as of 31 March 2020	747	112	0	205	934	1,998
Increase in provisions recognized in the income statement	20	0	0	1	0	20
Release of provisions recognized in the income statement	(12)	(6)	0	0	0	(18)
Provisions used in conformity with designated purpose	(33)	0	0	(1)	0	(33)
Foreign currency translation / unwind of discount	9	2	0	2	0	14
Balance as of 30 June 2020	732	108	0	207	934	1,980

¹ Provisions, if any, for matters described in this section are recorded in Global Wealth Management (item 3 and item 4) and Group Functions (item 2). Provisions, if any, for the matters described in items 1 and 6 of this section are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank and Group Functions.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration ("FTA") to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court. On 26 July 2019, the Supreme Court reversed the decision of the

Federal Administrative Court. In December 2019, the court released its written decision. The decision requires the FTA to obtain confirmation from the French authorities that transmitted data will be used only for the purposes stated in their request before transmitting any data. The stated purpose of the original request was to obtain information relating to taxes owed by account holders. Accordingly, any information transferred to the French authorities must not be passed to criminal authorities or used in connection with the ongoing case against UBS discussed in this item. In February 2020, the FTA ordered that UBS would not be granted party status in the French administrative assistance proceedings. UBS appealed this decision to the Federal Administrative Court. On 15 July, the Federal Administrative Court upheld the FTA's decision, holding that UBS does not have party status in these proceedings. UBS has ten days to appeal this decision to the Swiss Supreme Court.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The trial originally scheduled for 2 June 2020 has been rescheduled to 8-24 March 2021. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, UBS's balance sheet at 30 June 2020 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 506 million at 30 June 2020). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on UBS's balance sheet at 30 June 2020 reflects UBS's best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017. In June 2019, UBS entered into a settlement agreement with the Italian tax authorities under which it paid EUR 101 million to resolve the claims asserted by the authority related to UBS AG's potential permanent establishment in Italy. In October 2019, the Judge of Preliminary Investigations of the Milan Court approved an agreement with the Milan prosecutor

under Article 63 of Italian Administrative Law 231 under which UBS AG, UBS Switzerland AG and UBS Monaco have paid an aggregate of EUR 10.3 million to resolve claims premised on the alleged inadequacy of historical internal controls. No admission of wrongdoing was required in connection with this resolution.

UBS's balance sheet at 30 June 2020 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("RMBS") and was a purchaser and seller of US residential mortgages.

Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

UBS's balance sheet at 30 June 2020 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("BMIS") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totalling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS ("BMIS Trustee").

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in

Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("funds") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("UBS PR") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 3.4 billion, of which claims with aggregate claimed damages of USD 2.6 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority in relation to their examinations of UBS's operations.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("System") against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico ("Commonwealth") defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to

restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. These events, further defaults or any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019 and February 2020, three US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and seven other underwriters of Puerto Rico municipal bonds. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters.

UBS's balance sheet at 30 June 2020 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

5. Foreign exchange, LIBOR, and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with the UK Financial Conduct Authority ("FCA"), the US Commodity Futures Trading Commission ("CFTC"), FINMA, the Board of Governors of the Federal Reserve System ("Federal Reserve Board") and the Connecticut Department of Banking, the DOJ's Criminal Division and the European Commission. UBS has ongoing obligations under the Cease and Desist Order of the Federal Reserve Board and the Office of the Comptroller of the Currency (as successor to the Connecticut Department of Banking), and to cooperate with relevant authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves

from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint. UBS and 11 other banks have reached an agreement with the plaintiffs to settle the class action for a total of USD 10 million. The settlement is subject to court approval.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission ("WEKO"), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final

approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In December 2019, UBS entered into an agreement with representatives of the class of USD lenders to settle their USD LIBOR class action. The agreement has received final court approval. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal.

Other benchmark class actions in the US: In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs in the other Yen LIBOR, Euroyen TIBOR and the EURIBOR actions have appealed the dismissals. In April 2020, the appeals court reversed the dismissal of the Yen LIBOR / Euroyen TIBOR complaint. The EURIBOR action remains on appeal. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions filed amended complaints following the dismissals, and the courts granted renewed motions to dismiss in July 2019 (SIBOR / SOR) and in September 2019 (CHF LIBOR). Plaintiffs in both actions have appealed. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint have moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. The court dismissed the GBP LIBOR action in August 2019, and plaintiffs appealed the dismissal in September 2019.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint are pending. Similar class actions have been filed concerning European government bonds and other government bonds. UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

Government sponsored entities ("GSE") bonds: Starting in February 2019, class action complaints were filed in the US District Court for the Southern District of New York against UBS and other banks on behalf of plaintiffs who traded GSE bonds. A consolidated complaint was filed alleging collusion in GSE bond trading between 1 January 2009 and 1 January 2016. In December 2019, UBS and eleven other defendants agreed to settle the class action for a total of USD 250 million. The settlement is subject to court approval.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 30 June 2020 reflected a provision in an amount that UBS

believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 30 June 2020 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

Except as otherwise disclosed in this document (including in the documents incorporated by reference herein), there are no court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware), that are of material importance to UBS AG's assets and liabilities or profits and losses.

7.6 Material Contracts

Except as otherwise disclosed in this document (including the documents incorporated herein by reference), no material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business, which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

7.7 Significant Changes in the Financial or Trading Position and Performance; Material Adverse Change in Prospects

Except as otherwise indicated in this document (including the documents incorporated herein by reference), no material changes have occurred in UBS AG's assets and liabilities, financial position or profits and losses since 30 June 2020.



Except as otherwise disclosed in this document (including in the documents incorporated herein by reference), there has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2019.

8. Share Capital

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of CHF 38,000,000, comprising 380,000,000 registered shares with a par value of CHF 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a).