



# UBS General Terms and Conditions for Fixed Income Structured Products

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**APPENDIX 1: DESCRIPTION OF UBS AG**

## I. Preliminary Remarks

UBS AG (the "**Issuer**") may from time to time issue structured notes, certificates or, as the case may be, warrants (each a "**Note**", a "**Certificate**", a "**Warrant**" or a "**Security**", together the "**Notes**", the "**Certificates**", the "**Warrants**" or the "**Securities**"). The Securities will be issued based on (a) the information set out in these General Terms and Conditions for Fixed Income Structured Products, as amended from time to time (the "**General Terms and Conditions**") and (b) the relevant final terms or, as the case may be, the final termsheet, of each Security which shall include the information required for a simplified prospectus pursuant to article 5 CISA (the "**Final Terms**"). The General Terms and Conditions and the relevant Final Terms, shall form the entire documentation for each Security (the "**Product Documentation**") and should always be read in conjunction with each other. In the case of any inconsistency between the General Terms and Conditions and the Final Terms, the Final Terms shall prevail. In the event that the Securities are listed (see section 'General Information' in the relevant Final Terms), the Product Documentation will be amended in accordance with the listing requirements of the Relevant Stock 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 therein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement therein.

The offering or sale of the Securities 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. Any Securities purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further documentation or take any other actions relating to the Securities in such jurisdiction. The selling restrictions listed in the relevant Final Terms must not be taken as definitive guidance as to whether the Securities can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of the Securities may apply in other jurisdictions. Security holders should seek specific advice before on-selling the Securities.

**These General Terms and Conditions and the Final Terms do not qualify as a prospectus published in accordance with the requirements of Regulation (EU) 2017/1129, as may be amended or replaced from time to time, (the "EUPR") and are not filed with or notified to a financial supervisory authority of an EEA jurisdiction. Therefore, the Securities under this Product Documentation may not be offered or sold in EEA jurisdictions other than (a) in minimum denominations of, or total consideration per investor of at least, EUR 100,000 (or equivalent in other currencies); or (b) only to Qualified Investors (as defined in the EUPR); and/or (c) (aggregated for all distributors) to less than 150 natural or legal persons that are not Qualified Investors (as defined in the EUPR) per EEA jurisdiction. Furthermore, the Securities under this Product Documentation have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Trading in the Securities has not been approved by the U.S. Commodity Futures Trading Commission under the U.S. Commodity Exchange Act of 1936, as amended or by the U.S. Securities Exchange Commission. The Notes may not be offered, sold or delivered, at any time, within the United States or to, or for the account or benefit of, U.S. persons. The Notes are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person.**

During the whole term of the Securities, the Product Documentation can be ordered free of charge from the Issuer at P.O. Box, CH-8098 Zurich (Switzerland), via telephone (+41 (0)44 239 47 03), fax (+41 (0)44 239 69 14) or e-mail ([keyinvest@ubs.com](mailto:keyinvest@ubs.com)). In addition, for clients outside the United Kingdom, the Product Documentation is available on the internet at <http://www.ubs.com/keyinvest> or a successor address thereto.

## II. Product Specific Terms and Conditions

### 1. Interest

#### 1.1 General

The provisions of this section II. 1 only apply to coupon bearing Securities. For non-coupon bearing Securities such as, but not limited to, accreting Securities, Warrants or Securities with a zero coupon structure, the following provisions are not applicable.

#### 1.2 Rate of Interest and Interest Payments

Unless otherwise stated in the relevant Final Terms, each Security bears interest at the applicable Interest Rate on its Specified Denomination (as specified as applicable in the relevant Final Terms) from and including the Issue Date, or, if specified as applicable in the relevant Final Terms, the Interest Commencement Date, to but excluding the Maturity Date. The interest payments in respect of each Security will be made in arrears on each Interest Payment Date.

In case the relevant Final Terms provide for a Minimum Interest Rate (floor) and/or a Maximum Interest Rate (cap) and the Interest Rate falls below such Minimum Interest Rate or is above such Maximum Interest Rate, the Interest Rate shall be the Minimum Interest Rate or the Maximum Interest Rate, respectively.

#### 1.3 Interest Amount

The Calculation Agent will, as soon as practicable after each time at which the Interest Rate is to be determined, calculate the amount of interest (the "**Interest Amount**") payable on the Securities in respect of each Specified Denomination for the relevant Interest Period in accordance with the interest provisions provided for in the relevant Final Terms.

#### 1.4 Notification of Interest Amount, Interest Period and Interest Payment Dates

The Calculation Agent will notify the Securityholders and, if applicable and required by the rules of the Relevant Stock Exchange, the Relevant Stock Exchange, of the Interest Amount for each Interest Period, the Interest Period and the relevant Interest Payment Date as soon as reasonably practicable after the determination thereof. Each Interest Amount, Interest Period and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements by way of adjustment may be made) provided that any such amendment or alternative arrangement will as soon as reasonably practicable be notified to the Securityholders and the Relevant Stock Exchange (if applicable). Failure of the Calculation Agent to provide the Securityholders or, as the case may be, the Relevant Stock Exchange with such notice shall not affect the validity of the actions described above.

#### 1.5 Day Count Fraction and Business Day Convention

##### 1.5.1 Day Count Fraction

The Calculation Agent shall calculate the Day Count Fraction for a relevant period as follows:

- (a) if "Actual/365", "Act/365", "A/365", "Actual/Actual" or "Act/Act" is specified in the relevant Final Terms, the actual number of days in such period in respect of which payment is being made divided by 365 (or, if any portion of that period falls in a leap year, the sum of (i) the actual number of days in that portion of such

period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of such period falling in a non-leap year divided by 365);

- (b) if "Actual/365 (Fixed)", "Act/365 (Fixed)", "Act/365 Fixed" or "Act/365F" is specified in the relevant Final Terms, the actual number of days in such period in respect of which payment is being made divided by 365;
- (c) if "Actual/360", "Act/360" or "A/360" is specified in the relevant Final Terms, the actual number of days in such period in respect of which payment is being made divided by 360;
- (d) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in such period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (e) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms, the number of days in such period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of such period unless, in the case such period ends on the Maturity Date and the Maturity Date is the last day of the month of February, the month of February shall not be considered to be lengthened to a 30-day month).

### **1.5.2 Business Day Convention**

If the first and/or last day of a period in respect of which an Interest Amount is to be calculated would fall on a day that is not a Business Day, then solely for purposes of calculating the applicable Day Count Fraction (and the Interest Amount payable under the Securities), such day shall

- (a) if "Unadjusted" is specified in the relevant Final Terms, not be adjusted in accordance with the applicable Business Day Convention; and
- (b) if "Adjusted" (or neither "Adjusted" or "Unadjusted") is specified in the relevant Final Terms, be adjusted in accordance with the applicable Business Day Convention.

### **1.6 Default Interest**

If the Issuer for any reason (other than due to the occurrence of a Price Source Disruption Event pursuant to section III. 6 (*Price Source Disruption Event*) or a Settlement Disruption Event pursuant to section III. 7 (*Settlement Disruption Event*)) fails to render any payment in respect of the Securities when due, interest shall accrue at a default rate of 2.00 per cent. per annum on the due amount from and including the due date to but excluding the day on which such payment is made by the Issuer in accordance with III. 3 (*Payments and Deliveries*).

## **2. Floating Rate**

### **2.1 Determination of the applicable Floating Rate**

If the relevant Final Terms provide for the determination of a Floating Rate, the Calculation Agent shall determine the relevant fixing of the applicable Floating Rate in accordance with section 'Underlying' in the relevant Final Terms.

If the source specified in the Final Terms for the determination of the relevant Floating Rate does not publish the relevant fixing on the relevant fixing date, *provided that*, no Benchmark Trigger Event (as defined in section III. 5 (*Adjustment where the Underlying qualifies as a Benchmark*) below) has occurred, then the Calculation Agent shall attempt to determine a fixing for the Floating Rate either:

- (a) from an alternative or successor price source which the Calculation Agent determines is under the then prevailing circumstances available and which is also recognized as a source for the relevant rate (which shall be the Floating Rate); or
- (b) on the basis of quotations for the rate for deposits in the relevant currency for a period of the Designated Maturity and in such amount as the Calculation shall determine from four (or such other number as the Calculation Agent may determine having regard to market conventions) major banks or leading dealers (the "**Reference Banks**") in the relevant market selected by the Calculation Agent in its discretion. If two or more of the Reference Banks provide the Calculation Agent with such quotations, the Floating Rate shall be the arithmetic mean (rounded if necessary in accordance with section III. 15 (*Determinations, Calculations, Rounding and Time*)) of such quotations, as determined by the Calculation Agent. If only one or none of the Reference Banks provides the Calculation Agent with such quotations, the Floating Rate shall be determined by the Calculation Agent in its discretion (including, without limitation, on the basis of the last available fixings of the corresponding Floating Rate prior to the relevant fixing date).

If a Benchmark Trigger Event has occurred, the Floating Rate in question shall be determined as contemplated in section III. 5 (*Adjustment where the Underlying qualifies as a Benchmark*).

## **2.2 Interpolation of Floating Rate**

If a determination of a Floating Rate has to be made in respect of a period which is shorter or longer than the Designated Maturity (other than for reasons due to adjustments in accordance with the applicable Business Day Convention), the applicable Floating Rate for such period shall be determined by linear interpolation of (a) the applicable Floating Rate corresponding to the Designated Maturity for which the applicable Floating Rate is typically quoted and which is next shorter than the period and (b) the applicable Floating Rate corresponding to the Designated Maturity for which the applicable Floating Rate is typically quoted and which is next longer than the period.

## **3. Redemption**

### **3.1 Final Redemption**

Unless the Final Terms provide otherwise and unless the Securities have been redeemed prior to the Maturity Date, each Security shall be redeemed by the Issuer at its Redemption Amount on the Maturity Date. The Redemption Amount shall be paid in cash in the Settlement Currency or, if so specified in the relevant Final Terms, by physical delivery of an asset or assets.

### **3.2 Optional Redemption following an Issuer's Call**

If the Final Terms specify that the Securities are callable by the Issuer (*i.e.* if the Securities are subject to an Issuer redemption option), the Issuer may redeem all, but not part, of the Securities then outstanding on the date and at the amount specified in the relevant Final Terms (together with any interest accrued to but excluding the relevant optional redemption date in case of coupon bearing Securities) upon giving a valid notice to the Securityholders as provided for in the Final Terms.

### 3.3 Optional Redemption following a Securityholder's Put

If the Final Terms specify that the Securities are puttable by each Securityholder (*i.e.* if the Securities are subject to a Securityholder redemption option), each Securityholder may redeem all, but not part, of the Securities then outstanding and held by such Securityholder on the date and at the amount specified in the relevant Final Terms (together with any interest accrued to but excluding the relevant optional redemption date in case of coupon bearing Securities) upon giving a valid notice to the Issuer as provided for in the Final Terms.

### 3.4 Automatic Early Redemption

If the Final Terms specify that the Securities will be redeemed in case an Automatic Early Redemption Requirement is met, the Securities will be automatically redeemed 10 Business Days (or such other time period specified in the relevant Final Terms) after such Automatic Early Redemption Requirement has been met. The redemption amount payable to the Securityholders following such an automatic early redemption is specified in the relevant Final Terms.

### 3.5 Early Redemption

If an Early Redemption Event as specified in the Final Terms occurs or in case of a Benchmark Early Redemption Event as set out in section III. 5 (*Adjustment where the Underlying qualifies as a Benchmark*), the Issuer may redeem each Security at any time prior to the Maturity Date at its Early Redemption Amount (in each case together with any accrued interest in the case of coupon bearing Securities), by giving a notice to the Securityholders.

If the Issuer chooses to redeem the Securities in accordance with this provision, the Issuer shall redeem all, but not part, of the Securities then outstanding on the fifth Business Day after the notice of early redemption has been published (the "**Early Redemption Date**") and shall pay or cause to be paid the Early Redemption Amount in respect of each Security to the Securityholders for value on such Early Redemption Date, subject to any applicable fiscal or other laws or regulations. Payments of any applicable taxes and redemption expenses will be made by the relevant Securityholder and the Issuer shall not have any liability in respect thereof. Following the payment of the Early Redemption Amount, no further amounts will be due to the Securityholders.



### III. General Terms and Conditions

#### 1 Form of Securities

The Securities may be issued in the form of bearer notes represented by one or more global notes (*Globalurkunden*) pursuant to article 973b 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 in accordance with the FISA. Once deposited or registered with SIX SIS and booked into the accounts of one or more participants of SIX SIS, the global notes or the uncertificated securities will constitute intermediated securities (*Bucheffekten*) 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 Securities are intermediated securities, the Securities may only be transferred and otherwise disposed of in accordance with the provisions of the FISA (*i.e.* by entry of the Securities to be transferred in a securities account of the transferee) and the holders of the Securities will be the persons holding the Securities in such securities account in their own name and for their own account.

The Securityholders shall at no time have the right to effect or demand the conversion of uncertificated securities into, or the delivery of a global note or definitive notes (*Wertpapiere*). The Issuer may convert global notes or definitive notes into uncertificated securities and *vice versa* at any time and without the consent of the holders of the respective Securities.

No physical delivery of any Securities shall be made unless and until such Securities have been printed. In case of Securities in the form of uncertificated securities registered with SIX SIS or any other clearing system, such Securities may only be printed (in whole but not in part) if that clearing system goes out of business without a successor. In case of Securities issued in the form of bearer notes, such Securities may only be printed (in whole but not in part) if the Paying Agent determines that the printing of definitive notes is necessary or useful. Should the Paying Agent so determine, it shall provide for the printing of definitive notes without cost to the holders thereof.

#### 2 Status of the Securities / Classification

Unless otherwise stated in the relevant Final Terms, the obligations under the Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer 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 as may be preferred by mandatory provisions of law.

The Securities do not represent a participation in any of the collective investment schemes pursuant to article 7 *et seq.* of the CISA and thus do not require an authorisation of the FINMA. Therefore, Securityholders are not eligible for the specific investor protection under the CISA. Furthermore, the Securities do not benefit from any depositor protection under article 37b of the Banking Act or other forms of deposit insurance under any other laws as might be applicable to the Securities.

### **3 Payments and Deliveries**

#### **3.1 Payments under the Securities**

All payments in respect of the Securities shall be made, subject to applicable fiscal and other laws and regulations, in the Settlement Currency and to the Clearing System or the relevant intermediary or to its order for credit to the accounts of the relevant account holders of the Clearing System or the relevant intermediary in accordance with the FISA and the rules and regulations of the relevant Clearing System.

#### **3.2 Deliveries under the Securities**

The delivery of any asset(s) in respect of the Securities will be affected to the order of the relevant Securityholder and will be credited to a securities account which forms part of the relevant Clearing System or the relevant intermediary to which the Securities were accounted to. No Securityholder will be entitled to receive any interest declared or paid in respect of the asset(s) to be delivered if the date of such payment falls before the date on which the asset(s) is/are credited into the securities account of the relevant Securityholder. All expenses, including but not limited to, any depository charges, levies, recording fees, registration, transaction or exercise charges, stamp duties, stamp duty reserve taxes and/or other taxes or duties (together the "**Delivery Expenses**") arising from the delivery of such asset(s) shall be for the account of the relevant Securityholder and no delivery and/or transfer of the asset(s) in respect of a Security shall be made until all Delivery Expenses have been discharged to the satisfaction of the Issuer by the relevant Securityholder.

#### **3.3 Discharge**

The Issuer shall be discharged from its payment or delivery obligations under the Securities by payment or delivery to, or to the order of, the Clearing System or the relevant intermediary. The Issuer is not liable for any losses incurred by Securityholders due to a non-performance of the respective Clearing System or intermediary.

### **4 Adjustments in accordance with Business Day Convention**

If a date set out in the Final Terms (including, without limitation, the Maturity Date and each Interest Payment Date) falls on a day which is not a Business Day then (unless otherwise specified and subject to section II. 1.5 (*Day Count Fraction and Business Day Convention*)):

- (a) if the Business Day Convention specified in the relevant Final Terms is "Following" or "Following Business Day Convention", such date will be the first following day that is a Business Day;
- (b) if the Business Day Convention specified in the relevant Final Terms is "Modified Following" or "Modified Following Business Day Convention", such date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case such date will be the first preceding day that is a Business Day; and
- (c) if the Business Day Convention specified in the relevant Final Terms is "Preceding" or "Preceding Business Day Convention", such date will be the first preceding day that is a Business Day.

### **5 Adjustment where the Underlying qualifies as a Benchmark**

In the event that the Issuer or the Calculation Agent, as the case may be, determines prior to any fixing date either that the Underlying or any element of the amount payable in respect of the Securities (the "**Existing Benchmark**"):

- a. has been discontinued; or
  - b. does not, or the respective administrator/sponsor, does not fulfil any legal or regulatory requirement applicable to such administrator, sponsor and/or Existing Benchmark
- (such determination, the "**Benchmark Trigger Event**")

then following each such event, either

I.

- (A) the Issuer shall use reasonable endeavours to appoint an independent financial institution of international repute or other independent financial advisor experienced in the international capital markets (the "**Independent Advisor**") to determine in the Independent Advisor's discretion, in accordance with paragraph (D) below, an alternative rate to the Existing Benchmark (the "**Alternative Benchmark**") no later than three (3) Business Days prior to the time at which the Interest Rate relating to the next succeeding Interest Period is to be determined (such Business Day, the "**Independent Advisor Determination Cut-off Date**", and such next succeeding Interest Period, the "**Affected Interest Period**") for purposes of determining the Interest Rate applicable to the Affected Interest Period and all Interest Periods thereafter;
- (B) if prior to the Independent Advisor Determination Cut-off Date the Issuer is unable to appoint an Independent Advisor or the Independent Advisor appointed by the Issuer fails to determine an Alternative Benchmark in accordance with paragraph (D) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with paragraph (D) below, the Alternative Benchmark for purposes of determining the Interest Rate applicable to the Affected Interest Period and all Interest Periods thereafter;
- (C) if paragraph (B) above applies and the Issuer is unable or unwilling to determine the Alternative Benchmark prior to the time at which the Interest Rate relating to the Affected Interest Period is to be determined in accordance with paragraph (D) below, the Interest Rate applicable to the Affected Interest Period shall be determined as at the last preceding time at which the Interest Rate has been determined (through substituting, where a different margin is to be applied to the Affected Interest Period from that which applied to the last preceding Interest Period, the margin relating to the Affected Interest Period, in place of the margin relating to the last preceding Interest Period); provided, however, that, if this subclause (C) applies to the Affected Interest Period, the Interest Rate for all succeeding Interest Periods shall be the Interest Rate applicable to the Affected Interest Period as determined in accordance with this paragraph (C) unless (i) the Issuer, in its sole discretion, elects to determine an Alternative Benchmark in respect of any such succeeding Interest Period and all Interest Periods thereafter in accordance with the processes set out in this section, and (ii) an Alternative Benchmark is so determined;
- (D) in the case of any determination of an Alternative Benchmark pursuant to paragraphs (A) or (B) above, the Alternative Benchmark shall be such rate as the Independent Advisor or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner), as applicable, determines in its reasonable discretion has replaced the Existing Benchmark in customary market usage, or, if the Independent Advisor or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Advisor or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) determines in its reasonable discretion is most comparable to the Existing Benchmark, *provided that*, in exercising any discretion to determine the Alternative Benchmark under this paragraph (D), the Independent Advisor or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) shall exercise such discretion with a view to replicating as closely as possible the economic position of the Issuer and of the Securityholders that existed immediately prior to the occurrence of the relevant Benchmark Trigger Event; and

(E) if the Independent Advisor or the Issuer determines an Alternative Benchmark pursuant to paragraphs (A) or (B) above, respectively, and (D) above,

1. the Independent Advisor (in the case of (ii) below, in consultation with the Issuer) or the Issuer (as the case may be) shall also, following consultation with the Calculation Agent, determine in its reasonable discretion (i) the method for obtaining the Alternative Benchmark, including the screen page on or source from which the Alternative Benchmark appears or is obtained (the "**Alternative Relevant Screen Page**") and the time at which the Alternative Benchmark appears on, or is obtained from, the Alternative Relevant Screen Page (the "**Alternative Relevant Time**"), (ii) whether to apply an Adjustment Spread to the Alternative Benchmark and, if so, the Adjustment Spread, which Adjustment Spread shall be recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Existing Benchmark, where such rate has been replaced by the Alternative Benchmark, and (iii) any alternative method for obtaining the Alternative Benchmark if such rate is unavailable on the relevant time at which the Interest Rate is to be determined, which alternative method shall be consistent with any Alternative Benchmark that has broad market support;
2. for the Affected Interest Period and all Interest Periods thereafter, references to the Existing Benchmark in these General Terms and Conditions shall be deemed to be references to the Alternative Benchmark (giving effect to any Adjustment Spread determined pursuant to paragraph (1)(ii) above);
3. if any changes to the definitions of Day Count Fraction and/or Business Day are necessary in order to implement the Alternative Benchmark (including any Adjustment Spread determined pursuant to paragraph (1)(ii) above) as the Underlying and/or changes to section II. 2.1 (*Determination of the applicable Floating Rate*) to implement any alternative method for determining the Alternative Benchmark as described in paragraph (1)(iii) above, such definitions and section II. 2.1 (*Determination of the applicable Floating Rate*) shall be amended as contemplated in section III. 18 (*Severability and Amendments*) to reflect such changes; and
4. the Issuer shall promptly give notice to the Investors in accordance with section III. 17 (*Notices*) specifying the Alternative Benchmark (including any Adjustment Spread determined pursuant to paragraph (1)(ii) above), the Alternative Relevant Screen Page, Alternative Relevant Time, any alternative method for obtaining the Alternative Benchmark described in paragraph (1)(iii) above and any amendments implemented pursuant to section III. 18 (*Severability and Amendments*) as described in paragraph (3) above,

or

- II. if determination of an Alternative Benchmark in accordance with the foregoing provisions is not feasible and/or practicable (e.g. due to the fact that the relevant Final Terms contemplate calculation of the respective Floating Rate on a daily basis), the Calculation Agent shall attempt to determine an Alternative Benchmark either:
  - (a) from an alternative or successor price source which the Calculation Agent determines is under the then prevailing circumstances available and which is also recognized as a source for the Alternative Benchmark; or
  - (b) on the basis of quotations for the rate for deposits in the relevant currency for a period of the Designated Maturity and in such amount as the Calculation shall determine from four (or such other number as the Calculation Agent may determine having regard to market conventions) Reference Banks in the relevant market selected by the Calculation Agent in its discretion. If two or more of the Reference Banks provide the Calculation Agent with such quotations, the Alternative Benchmark shall be the arithmetic mean (rounded if necessary in accordance with section III. 15 (*Determinations, Calculations, Rounding and Time*)) of such quotations, as determined by the Calculation Agent. If only one or none of the Reference Banks provides the Calculation Agent with such quotations, the Alternative Benchmark shall be determined by the Calculation

Agent in its discretion (including, without limitation, on the basis of the last available fixings of the Underlying prior to the relevant fixing date).

If the Calculation Agent determines an Alternative Benchmark pursuant to this paragraph II, the provisions set out under paragraph (E) sub-paragraphs 1 to 4 above shall apply *mutatis mutandis* to such determination.

- III. If, in the opinion of the Issuer or the Calculation Agent (in each case, in its reasonable discretion), (i) it is not possible, for whatever reason, to determine an Alternative Benchmark pursuant to paragraphs I or II above, as applicable, or (ii) any adjustments the Calculation Agent could make to the terms and conditions of the Securities pursuant to those provisions would not achieve a commercially reasonable result (each a "**Benchmark Early Redemption Event**"), the Issuer may early redeem the Securities as set out in section II, 3.5 (*Early Redemption*).

## 6 Price Source Disruption Event

In case a rate, quote, price or other information that is required to make a determination in respect of the Securities is not observable from the relevant source due to the fact that such source is unavailable by reason of an unscheduled bank closure, IT system disruption or the occurrence of any other disruption event (each such event, a "**Price Source Disruption Event**"), the Calculation Agent may, subject to the provisions set out in section II. 2.1 (*Determination of the applicable Floating Rate*), use such other source(s) that are under the then prevailing circumstances available and/or postpone the determination in question until such time as the relevant information becomes available again (but for not more than 20 Business Days following the occurrence of such Price Source Disruption Event).

In case of a postponement as described above, any payments under the Securities dependent on the relevant information may be suspended until one Business Day following the date on which the relevant information becomes available again. If on the twentieth Business Day following the occurrence of the Price Source Disruption Event the relevant information is not available (because neither the original nor an alternative source exists or is accessible), the Calculation Agent shall determine the relevant information in its reasonable discretion. If a Price Source Disruption Event leads to a postponement of a scheduled payment date, no default interest or other additional payment shall become payable by the Issuer and such postponement shall not constitute an event of default in respect of the Issuer.

If the methodology, content, composition, constitution or administrator of a rate, quote, price or other information that is required to make a determination in respect of the Securities changes, the Securities shall be deemed to reference such rate, quote, price or other information as the Calculation Agent reasonably determines, subject to the provisions set out in section II. 2.1 (*Determination of the applicable Floating Rate*), as successor of or alternative for such rate, quote, price or other information and which is commonly used by market participants as successor or alternative rate, quote, price or other information.

If a rate, spread or similar reference factor which corresponds to a particular term and which is required for a determination in respect of the Securities ceases to be available or published and there is no successor for such reference factor, but reference factors for different terms continue to be available and published, the reference factor in question shall be calculated, subject to the provisions set out in section II. 2.1 (*Determination of the applicable Floating Rate*), by linear interpolation of available reference factors which correspond to the next longer and shorter term.

## 7 Settlement Disruption Event

In case an event beyond the control of the Issuer and/or the Paying Agent occurs as a result of which the Issuer and/or the Paying Agent cannot or is not allowed to make (a) a payment and/or (b) delivery of one or more asset(s), in each case to the relevant Clearing System or intermediary as and when such payment or delivery is due to be made (each such event, a "**Settlement Disruption Event**") and if such event is continuing on a date on which a payment or delivery is due to be made, such payment or delivery shall be postponed to the first Business Day following the day on which the Settlement Disruption Event ceases to continue. Any such postponement of payment or delivery due to a

Settlement Disruption Event shall not constitute a default by the Issuer and the Securityholders shall not be entitled to any default interest or other additional payment due to such postponement of payment or delivery. Where a Settlement Disruption Event affects some but not all of the relevant assets that are due to be delivered or payments that are due to be made, the payments or delivery of the assets not affected by the Settlement Disruption Event will be unadjusted and the due date with respect to such assets or payments shall be the originally designated due date.

Notwithstanding the above, following the occurrence of a Settlement Disruption Event, 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 Securities in such way as it is reasonably practicable in lieu of a settlement as described above.

Upon the occurrence of a Settlement Disruption Event, the Issuer or the Paying Agent shall give a notice to the Securityholders stating that a Settlement Disruption Event has occurred and providing details thereof. Failure of the Issuer or the Paying Agent to provide the Securityholders with such notice shall not affect the validity of the actions described above.

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

## **8 Listing**

The listing, if any, of the Securities, will be specified in the relevant Final Terms and will be applied for on the Relevant Stock Exchange. No representation can and will be given by the Issuer or any Agent that the envisaged listing will be successful. The Issuer will use reasonable endeavours to maintain such listing on the Relevant Stock Exchange during the term of the Securities.

## **9 Taxation**

Each Securityholder 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 Securityholder in any jurisdiction or by any governmental or regulatory authority. Neither the Issuer nor the Nominee (if any) or any other Agent is obliged to gross up any payments in respect of the Securities and shall have the right, but not the obligation, to withhold or deduct from any amounts payable to the Securityholders such amount as is necessary for the payment of any such taxes, duties, fees and/or charges. In case any governmental or regulatory authority imposes on the Issuer the obligation to pay any such taxes, duties, fees and/or charges, the Securityholder shall promptly reimburse the Issuer.

Securityholders should inform themselves with regard to any tax consequences particular to their circumstances arising in any relevant jurisdiction (including any jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposal by them of any Securities).

## **10 Events of Default**

If any of the following events (each an "**Event of Default**") occurs, any Securityholder may by written notice to the Issuer declare the Securities held by such Securityholder to be forthwith due and payable, whereupon the Early Redemption Amount of such Securities shall become due and payable on the fifth Business Day after such notice (the "**Default Redemption Date**"), unless such Event of Default has been remedied prior to the receipt of such notice by the Issuer:

- (a) there is a default for more than 30 calendar days in the payment of any principal or interest due in respect of the Securities; or

- (b) an order is made by any competent court or other competent authority in any jurisdiction or any resolution is passed by the Issuer for (i) the dissolution or winding-up of the Issuer, or (ii) for the appointment of a liquidator, receiver or administrator of the Issuer or of all or a substantial part of the assets of the Issuer, or (iii) with analogous effect for the Issuer, it being understood that anything in connection with a solvent reorganisation, reconstruction, amalgamation or merger shall not constitute an event of default; or
- (c) the Issuer admits in writing its general inability to pay its debts as they fall due or otherwise acknowledges its insolvency,

it being understood, however, that any postponement or other action taken pursuant to and in accordance with section III. 6 (*Price Source Disruption Event*) or section III. 7 (*Settlement Disruption Event*) does not constitute an Event of Default pursuant to this section III. 10.

## 11 Prescription

In accordance with Swiss law, claims for payments in connection with the Securities will be prescribed and become void 10 years after the date on which the relevant payment first becomes due and payable, except for payments of interest which will be prescribed and become void 5 years after the relevant interest payment first becomes due and payable.

## 12 Agents

### 12.1 Appointment

The Principal Paying Agent and the Calculation Agent and their offices (which can be substituted with other offices) are one of the following, as specified in the relevant Final Terms:

**Principal Paying Agent:**

UBS AG  
Bahnhofstrasse 45  
CH-8001 Zurich/  
Aeschenvorstadt 1  
CH-4051 Basel

or

UBS Switzerland AG  
Bahnhofstrasse 45  
CH-8001 Zurich

**Calculation Agent:**

UBS AG  
Bahnhofstrasse 45  
CH-8001 Zurich/  
Aeschenvorstadt 1  
CH-4051 Basel

or

UBS AG, acting through its Jersey Branch  
24 Union Street  
St. Helier JE2 3RF

or

UBS AG, acting through its London Branch  
1 Finsbury Avenue  
GB-London EC2M 2PP

The Issuer reserves the right to appoint any further Agents (including, without limitation, any third party) as specified in the relevant Final Terms.

## 12.2 Variation or Termination of Appointment

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional and/or other Agents provided that the Issuer shall (a) at all times maintain a Calculation Agent with a specified office located in such place as required by the rules of the Relevant Stock Exchange and (b) so long as the Securities are listed on the regulated market of the Relevant Stock Exchange maintain a Paying Agent with a specified office in such place as may be required by the rules of the Relevant Stock Exchange. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 15 nor more than 45 days' prior notice thereof has been given to the Securityholders.

## 12.3 Agent of the Issuer

Any Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Securityholder.

## 13 Appointment of Nominee

The Issuer may appoint a Nominee as specified in the relevant Final Terms. In case of such an appointment, all actions to be taken by the Issuer or acceptances to be made on behalf of the Issuer according to the relevant Final Terms and this General Terms and Conditions may be taken or made by the Nominee and references to "Issuer" in the Product Documentation shall be construed accordingly.

## 14 Substitution of the Issuer

The Issuer (reference to which shall always include any previous substitute debtor) may and the Securityholders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Securityholder at any time, substitute for itself as the principal debtor in respect of the Securities (a) any company (incorporated in any country in the world) controlling, controlled by or under common control with, the Issuer; (b) any other company with which it consolidates, into which it merges or to which it sells, leases, transfers or conveys all or substantially all its property; and (c) any branch of such company referred to in (a) and (b) (any such company or branch, a "**Substitute Debtor**"), provided that

- (a) the Substitute Debtor shall assume all obligations that the Issuer owes to the Securityholders under or in relation to the Securities and be bound by the relevant Final Terms and the General Terms and Conditions as fully as if the Substitute Debtor had been named in the Product Documentation as the principal debtor in respect of the Securities in place of the Issuer; and
- (b) (i) such Substitute Debtor shall at all times after such substitution have a credit rating equivalent to or better than the Issuer or (ii) the Issuer irrevocably and unconditionally guarantees in favour of each Securityholder the payment of all sums payable by the Substitute Debtor as principal debtor.

As of the effective date of such substitution, the Substitute Debtor shall be deemed to be named in the Product Documentation as the principal debtor in place of the Issuer and the Product Documentation shall thereupon be deemed to be amended to give effect to the substitution.

Any substitution shall as soon as reasonably possible be notified to the Securityholders and, if applicable, to the Relevant Stock Exchange and to any other person or authority as required by applicable laws or regulations.

In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be responsible or liable for any consequences (including, but not limited to, any tax consequences) suffered by individual Securityholders as a



result of the exercise of such right and, accordingly, no Securityholder shall be entitled to claim from the Issuer any indemnification or repayment with respect of any consequence whether direct or indirect.

For the purposes of this section III. 14, the term '**control**' means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether by contract or through the ownership, directly or indirectly, of voting shares in such company which, in the aggregate, entitle the holder thereof to elect a majority of its directors, and includes any company in like relationship to such first-mentioned company, and for this purpose '**voting shares**' means shares in the capital of a company having under ordinary circumstances the right to elect the directors thereof, and '**controlling**', '**controlled**' and '**under common control**' shall be construed accordingly.

## 15 Determinations, Calculations, Rounding and Time

Unless otherwise specified in the relevant Final Terms or these General Terms and Conditions, any determination, calculation, quotation or decision made by the Calculation Agent shall be made in its sole discretion having regard to standard market practices, provided such determination, calculation, quotation or decision is made in good faith and in a commercially reasonable manner. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for the purposes of this General Terms and Conditions or the relevant Final Terms shall (in the absence of proven or manifest error) be final and binding on the Issuer, the Nominee (if any), any other Agent and the Securityholders.

None of the Calculation Agent, the Issuer, the Nominee (if any) or any other Agent shall have any responsibility in respect of any error or omission or subsequent correction made in the calculation or publication of any amount in relation to the Securities, whether caused by negligence or otherwise (other than gross negligence or willful misconduct). Further, the Securityholders shall not be entitled to make any claim against the Issuer, its Affiliates, the Lead Manager, or the Calculation Agent in the case where any third party has made any misstatement as to the underlying(s) of the Securities (if any).

For the purposes of any calculation required pursuant to the relevant Final Terms or these General Terms and Conditions, (unless otherwise specified), (a) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 of a percentage point being rounded up); (b) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up); and (c) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in case of JPY, which shall be rounded down to the nearest JPY. For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country/countries of such currency.

Unless otherwise specified in the relevant Final Terms or these General Terms and Conditions, references to the occurrence of an event, a date or a time shall be determined by reference to Greenwich Mean Time.

## 16 Further Issuances and Purchases of Securities by the Issuer

The Issuer may from time to time without the consent of the Securityholders create or issue further tranches of securities, which shall be fungible with the Securities (*i.e.*, identical with respect to the terms and conditions (other than the Issue Price, the Issue Date, the Interest Commencement Date (if applicable) and the first Interest Payment Date)) so as to be consolidated and form a single series with such Securities, and references to "Securities" shall be construed accordingly. The further tranche of securities may have a Security Number which is different from the Security Number for the Securities.

The Issuer and any of its subsidiaries or other Affiliates may at any time purchase Securities at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Securityholders alike. Any Securities so purchased may be held, reissued, resold or cancelled, all at the option of the Issuer.

All Securities redeemed in full shall be cancelled forthwith and may not be reissued or resold.

## **17 Notices**

### **17.1 Notices to the Issuer**

Unless otherwise specified in the relevant Final Terms, notice may be given to the Issuer by delivering such notice in writing to UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8098 Zurich or such other address as may be notified to the Securityholders in accordance with this section III. 17.

### **17.2 Notices to the Securityholders**

Unless otherwise stated in the relevant Final Terms, all notices in connection with the Securities shall be validly given by way of publication on the website of the Issuer at [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest) or any successor website and/or the website specified for the purposes in the relevant Final Terms, and become effective vis-à-vis the Securityholders through such publication, unless the notice provides for a later effective date.

If and to the extent that binding provisions of effective law or stock exchange provisions provide for other forms of publication, such publications must be made in addition and as provided for.

Any such notice shall be effective as of the publishing date (or, in the case of several publications, as of the date of the first such publication).

The Issuer may, in lieu of a publication pursuant to the paragraph above, deliver the relevant notices to the relevant Clearing System(s), for communication by the Clearing System(s) to the Securityholders, provided that, so long as any Securities are listed on the Relevant Stock Exchange, the rules of the Relevant Stock Exchange permit such form of notice. Any such notice shall be deemed to have been given to the Securityholders on the day on which the said notice was given to the Clearing System(s).

## **18 Severability and Amendments**

In the event any term or condition within these General Terms and Conditions or the relevant Final Terms is or becomes illegal, invalid or unenforceable in any respect under any law and jurisdiction, neither the legality, validity or enforceability of the remaining terms and conditions nor the legality, validity or enforceability of such term or condition under the law of any other jurisdiction will in any way be affected or impaired.

The Issuer shall be entitled to modify or amend the relevant Final Terms or these General Terms and Conditions from time to time without the consent of the Securityholders in such manner as the Issuer deems necessary, provided that the modifications or amendments

- (a) are of a formal, minor or technical nature; or
- (b) are made to correct or supplement any defective provisions of the relevant Final Terms or these General Terms and Conditions; or
- (c) are made to cure any uncertainty or ambiguity; or
- (d) are made to cure a manifest or proven error; or

- (e) are made to correct an error or omission if, in the absence of such correction, the relevant Final Terms or these General Terms and Conditions would not represent the intended terms of the Securities on which the Securities were sold and have since traded; or
- (f) will not materially adversely affect the interests of the Securityholders.

Notwithstanding the above, the Issuer shall at all times be entitled to amend any terms or conditions where, and to the extent, the amendment is necessary as a consequence of legislation, decisions by courts of law, or decisions taken by governmental authorities in Switzerland or any other jurisdiction.

Any modification or amendment of the relevant Final Terms or these General Terms and Conditions shall take effect in accordance with its terms and be binding on the Securityholders, and shall be notified to the Securityholders (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of such modification or amendment).

## **19 Governing Law and Jurisdiction**

The Securities shall be subject to, governed by and construed in accordance with **Swiss law**.

The exclusive place of jurisdiction for any legal action or dispute relating to the Securities and the rights and obligations attached thereto shall be **Zurich 1, Switzerland**. In addition, Zurich 1, Switzerland, shall be the exclusive place of jurisdiction for the declaration of the annulment of the Securities, if printed, and their subsequent replacement.

## IV. Definitions

"**Adjustment Spread**" means, in respect of any Alternative Benchmark, a spread (which may be positive or negative) or formula or methodology for calculating any such spread applied to such Alternative Benchmark in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Securityholders as a result of the replacement of the Existing Benchmark with such Alternative Benchmark.

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Agent(s)**" means the Calculation Agent, the Paying Agent or any other agent appointed by the Issuer as specified in the relevant Final Terms, or all of them together.

"**Automatic Early Redemption Requirement**" means the automatic early redemption requirement specified in the relevant Final Terms (if applicable).

"**Banking Act**" means the Swiss Federal Law on Banks and Savings Banks, as amended from time to time.

"**Benchmark**" means any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined.

"**Bloomberg**" means Bloomberg Limited Partnership (and any successor thereto).

"**Breakage Costs**" means the amount of losses or costs of the Issuer that are or would be incurred following the occurrence of an Early Redemption Event in terminating any hedging arrangement or in replacing or providing the Issuer the economic equivalent of the material terms that the Issuer would have had under the Securities but for the occurrence of the Early Redemption Event.

"**Business Day**" means in connection with any payment procedure (a) a day on which foreign exchange markets settle payments in the Settlement Currency; (b) if "TARGET2", "TARGET" or "Target Settlement Date" is specified in the relevant Final Terms, any day on which TARGET2 (the Trans-European Automated Real-time Gross Settlement Express Transfer System 2) is open; and (c) any other day (other than Saturday and Sunday) on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places as specified in the relevant Final Terms as a "Business Day".

"**Business Day Convention**" means the business day convention specified in the relevant Final Terms and described in section III. 4 (*Adjustments in accordance with Business Day Convention*).

"**Calculation Agent**" means the entity specified as calculation agent in the relevant Final Terms.

"**Certificate(s)**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Change in Law**" means that, on or after the Issue Date of the Securities (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that (i) it has become illegal to hold, acquire or dispose of the underlying relating to the Securities and/or to enter into any hedging transactions that the Issuer would enter into in the normal course of business, or (ii) it will incur a materially

increased cost in performing its obligations under the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"**Clearing System(s)**" means the clearing system(s) specified in the relevant Final Terms.

"**Clearstream Frankfurt**" means Clearstream Banking AG (and any successor thereto).

"**Clearstream Luxembourg**" means Clearstream Banking *société anonyme* (and any successor thereto).

"**CISA**" means the Swiss Federal Act on Collective Investment Schemes, as amended from time to time.

"**CO**" means the Swiss Federal Code of Obligations, as amended from time to time.

"**Day Count Fraction**" means the day count fraction specified in the relevant Final Terms and described in section II. 1.5 (*Day Count Fraction and Business Day Convention*).

"**Default Redemption Date**" has the meaning ascribed to it in section III. 10 (*Events of Default*).

"**Delivery Expenses**" has the meaning ascribed to it in section III. 3 (*Payments and Deliveries*).

"**Designated Maturity**" means the period of the Floating Rate (if any) specified in the relevant Final Terms.

"**Early Redemption Amount**" means, in respect of each Security, an amount in the Settlement Currency to be determined by the Calculation Agent on the basis of the fair market value of the Securities (including any accrued but unpaid interest) less any Breakage Costs, determined by the Calculation Agent eight Business Days prior to the Early Redemption Date.

"**Early Redemption Date**" has the meaning ascribed to it in section II. 3.5 (*Early Redemption*).

"**Early Redemption Event**" means any of the early redemption events specified in the relevant Final Terms.

"**EEA**" means the European Economic Area.

"**EU Benchmarks Regulation**" the Regulation (EU) 2016/1011 of the European Parliament and the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

"**EUPR**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Euroclear**" means Euroclear Bank S.A./N.V. (and any successor thereto).

"**Event of Default**" has the meaning ascribed to it in section III. 10 (*Events of Default*).

"**FATCA**" has the meaning ascribed to it in section V. 5.22 (*Risks relating to U.S. Foreign Account Tax Compliance Withholding*).

"**FFI**" has the meaning ascribed to it in section V. 5.22 (*Risks relating to U.S. Foreign Account Tax Compliance Withholding*).

"**Final Terms**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**FINMA**" means the Swiss Financial Market Supervisory Authority.

"**FISA**" means the Swiss Federal Act on Intermediated Securities, as amended from time to time.

"**Floating Rate**" means (a) CHF LIBOR; (b) CZK PRIBOR; (c) EUR LIBOR; (d) EURIBOR; (e) GBP LIBOR; (f) HKD HIBOR; (g) JPY LIBOR; (h) NOK NIBOR; (i) PLZ WIBOR; (j) SGD SOR; (k) USD LIBOR; (l) ZAR JIBAR, as specified and defined in the relevant Final Terms, or any other rate specified in the relevant Final Terms.

"**General Terms and Conditions**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge price risks of issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

"**Increased Cost of Hedging**" means that the Issuer would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be regarded as an Increased Cost of Hedging.

"**Index Sponsor**" means the index sponsor specified in the relevant Final Terms (if applicable).

"**Interest Amount**" has the meaning ascribed to it in section II. 1.3 (*Interest Amount*).

"**Interest Commencement Date**" means the interest commencement date specified in the relevant Final Terms (if applicable).

"**Interest Payment Date**" means each of the interest payment dates specified in the relevant Final Terms (if applicable).

"**Interest Period**" means the period beginning on (and including) the Issue Date (or, if an Interest Commencement Period is specified in the relevant Final Terms, the Interest Commencement Date) and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) one Interest Payment Date and ending on (but excluding) the next Interest Payment Date (as specified in the relevant Final Terms), provided that if the relevant Final Terms specifies "Unadjusted" as applicable, the Interest Payment Dates and Maturity Date, as the case may be, shall not be adjusted for the purpose of calculating the Day Count Fraction and the Interest Amount (see section II. 1.5 (*Day Count Fraction and Business Day Convention*)).

"**Interest Rate**" means the interest rate specified in the relevant Final Terms (if any) which may, if so specified in the relevant Final Terms, be subject to a Minimum Interest Rate and/or a Maximum Interest Rate.

"**IRS**" has the meaning ascribed to it in section V. 5.22 (*Risks relating to U.S. Foreign Account Tax Compliance Withholding*).

"**Issuer**" means UBS AG, acting through such branch or office as is specified in the relevant Final Terms.

"**Issue Date**" means the issue date of the Securities specified in the relevant Final Terms.

"**Issue Price**" means the issue price of the Securities specified in the relevant Final Terms.

"**JPY**" means Japanese yen.

"**Lead Manager**" means the lead manager specified in the relevant Final Terms.

"**Maturity Date**" means the maturity date of the Securities specified in the relevant Final Terms.

"**Maximum Interest Rate**" means the maximum interest rate (if any) specified in the relevant Final Terms.

"**Minimum Interest Rate**" means the minimum interest rate (if any) specified in the relevant Final Terms.

"**Nominee**" means the nominee of the Issuer (if any) specified in the relevant Final Terms.

"**Note(s)**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Paying Agent**" means the paying agent specified in the relevant Final Terms.

"**Price Source Disruption Event**" has the meaning ascribed to it in section III. 6 (*Price Source Disruption Event*).

"**Product Documentation**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Redemption Amount**" means the (final) redemption amount per Security payable to the Securityholders on the Maturity Date as specified in the relevant Final Terms.

"**Reference Banks**" has the meaning ascribed to it in section II. 2 (*Floating Rate*).

"**Relevant Stock Exchange**" means the stock exchange where the Securities are listed (if any) as set out in the relevant Final Terms.

"**Reuters**" means Reuters news agency, a division of Thomson Reuters Corporation (and any successor thereto).

"**RWA**" means risk-weighted assets.

"**Securities** or **Security**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).

"**Securityholder(s)**" or "**Investor(s)**" means an investor or the investors in the Securities.

"**Security Numbers**" means the security numbers specified in the relevant Final Terms.

"**Settlement Currency**" means the currency used for the payment of the Issue Price, any redemption amount or any other amount as specified in the relevant Final Terms.

"**Settlement Disruption Event**" has the meaning ascribed to it in section III. 7 (*Settlement Disruption Event*).

"**SIX SIS**" means SIX SIS AG, the Swiss Securities Service Corporation.

"**Specified Denomination**" means the specified denomination specified in the relevant Final Terms.

"**Substitute Debtor**" has the meaning ascribed to it in section III. 14 (*Substitution of the Issuer*).

"**Tax Event**" means that the Issuer (a) on the occasion of a payment or delivery due under the Securities, has or will become obliged to pay additional amounts as a result of (i) any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer is or becomes subject to tax or any political subdivision or any authority thereof or therein having power to tax, or (ii) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures (but not the substitution of the Issuer) available to it.

"**Trade Date**" means the trade date specified in the relevant Final Terms.

"**Underlying(s)**" means the underlying or underlyings referenced by the Securities, as specified in the relevant Final Terms in section 'Underlying'.

"**Warrant(s)**" has the meaning ascribed to it in section I. (*Preliminary Remarks*).



## V. Risk Factors

*An investment in the Securities involves certain risks. Generally, an investment in structured products involves higher risks than an investment in similar products which do not provide for any structured features. If one or more of the risks described below occurs, Securityholders may incur a partial or even a total loss of their invested capital. Potential Securityholders should be familiar with instruments having the characteristics of the Securities and interest markets in general and should fully understand and carefully consider the risk factors below as well as the terms and conditions set out in the Product Documentation and the nature and extent of their exposure to risk of loss. In particular, each potential Securityholder should carefully evaluate the merits and risks of the investment in the Securities in the context of its particular financial situation and the impact the Securities will have on its overall investment portfolio.*

*This section of the General Terms and Conditions does not purport to be an exhaustive or comprehensive list of all possible risks associated with an investment in the Securities. Therefore investment decisions should not be made solely on the basis of the risk warnings set out in this section and the relevant Final Terms. Instead, each prospective Securityholder should, prior to a purchase of the Securities, consult with its own legal, regulatory, tax, financial and accounting advisors to the extent it considers necessary in order to determine whether the purchase of the Securities (a) is fully consistent with its financial needs, objectives and conditions, (b) is a fit, proper and suitable investment for it (including, without limitation, taking into account applicable selling restrictions), (c) has been duly approved in accordance with all applicable laws, regulations and procedures and (d) fully complies and is consistent with all constitutional documents, investment policies, internal guidelines and policies, authorisations and restrictions (including as to its capacity and authority) applicable to it. In addition, potential Securityholders 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 Securities.*

### 1 Risk Factors associated with certain features of the Securities

#### 1.1 Risks related to Securities with a Fixed Coupon

A holder of a Security with a fixed coupon is exposed to the risk that the price of such Security falls as a result of changes in the market interest rates. While the nominal interest rate of a Security with a fixed coupon is fixed during the life of such Security, the market interest rates typically change on a daily basis. As the market interest rates change, the price of a Securities with a fixed coupon also changes, but in the opposite direction. If the market interest rates increase, the price of a Security with a fixed coupon typically falls.

#### 1.2 Risks related to Securities with a Floating Coupon

A key difference between Securities with one or more interest payments based on a floating rate and Securities with interest payments based only on a fixed rate is that the interest payments based on a floating rate cannot be anticipated prior to the applicable fixing date with respect to the floating rate or, as the case may be, the relevant date on which such amounts are calculated pursuant to the relevant Final Terms. Due to varying interest rates, Securityholders are not able to determine a definite yield at the time they purchase Securities with a floating coupon, which means that their return on investment cannot be compared to that of investments having fixed interest rates.

Future levels of floating rates are dependent upon the supply and demand for funding in the money market. The supply and demand in the money market on the other hand is dependent upon macroeconomic factors, liquidity in the financial markets, currency developments and political factors, or upon other factors, depending on the specific type of the floating rate. Such factors affecting the levels of a floating rate may adversely affect the return (if any) on Securities

with a floating coupon. Depending upon the development of the floating rate(s), it is possible that the applicable fixing for one or more Interest Periods during the term of the Securities with a floating coupon may be equal to zero, or, even if the fixing is above zero, it may be substantially lower than the interest rate that would be payable on other long-term securities of the Issuer. In the worst case, the interest rate during any Interest Period where interest payments are based on a floating rate could be as little as zero.

### **1.3 Risks related to Reverse Floating Rate Securities**

The interest income from reverse floating rate Securities is calculated in reverse proportion to the floating rate: if the floating rate increases, interest income decreases, whereas it increases if the floating rate decreases. This leads to the fact that in case the floating rate increases, the effective return as well as the market value of the Securities will decline. In this case, the decline in the market value is substantially sharper than the decline in the market value of Securities with a fixed coupon having a similar maturity.

### **1.4 Risks related to Securities with a Fixed to Floating Coupon**

Securities with a fixed to floating coupon bear interest at a rate that the Issuer may elect to convert or will automatically convert from a fixed rate to a floating rate. If a conversion from a fixed rate to a floating rate takes place, the spread on the Securities with a fixed to floating coupon may be less favourable than the prevailing spreads on comparable securities with a floating coupon relating to the same floating rate. In addition, the new floating rate at any time may be lower than the interest rates payable on other Securities. As long as the interest of Securities with a fixed to floating coupon is fixed, the market value of such Securities declines in case market interest rates increase.

### **1.5 Risks related to Securities with Ratchet Mechanism**

Securities with a ratchet mechanism are securities which do not provide for a predetermined interest rate because the interest rate is calculated depending on the interest rate calculated for a preceding interest period. Therefore, the Securityholder is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Securities with a ratchet mechanism in advance. Since the final redemption amount of Securities with a ratchet mechanism may be related to the cumulative performance of a number of features, the Securityholder may not rely on compensating any losses from low interest rates by a final redemption amount which is higher than the specified denomination of the Securities.

### **1.6 Risk related to Securities linked to a CMS Spread**

The relevant Final Terms of Securities linked to a CMS spread may provide for a variable interest rate (except for a possible agreed fixed rate payable to the extent provided for in such Final Terms) which is dependent on the difference between rates for swaps having necessarily different terms. Investors purchasing Securities linked to a CMS spread expect that, during the term of such Securities, the interest curve will not, or only moderately, flatten out. In the event that the market does not develop as anticipated by the Securityholders and that the difference between rates for swaps having different terms decreases to a greater extent than anticipated, the interest rate payable on the Securities linked to a CMS spread will be lower than the interest level prevailing as at the date of purchase. In a worst case scenario, no interest will be payable. In such cases, the price of the Securities linked to a CMS spread will also decline during the term.

### **1.7 Risk related to Range Accrual Securities**

The relevant Final Terms of range accrual Securities may provide for the interest payable (except for a possible agreed fixed rate payable to the extent provided for in such Final Terms) to be dependent on the number of days during which the floating rate specified in the relevant Final Terms is within a certain interest range. The interest payable on range accrual Securities decreases depending on the number of determination dates during which the floating rate remains

outside the interest range. No interest may be payable in the event that the floating rate increases or decreases significantly and remains outside the interest range throughout an entire Interest Period. Furthermore, in case of changes in the level of the floating rate which lead to the expectation that all or most of the future levels of the floating rate will be outside of the relevant interest range, the market value of range accrual Securities may drop significantly and/or be more volatile.

As the interest payable is calculated by reference to the floating rate, the Securityholders are subjected to interest rate fluctuations, and the amount of interest income is uncertain. Owing to the fluctuations in the floating rate, it is impossible to calculate the interest income and the yield for the entire term in advance.

### **1.8 Risk related to Securities with a Zero Coupon Structure**

Securities with a zero coupon structure do not pay current interest but are typically issued at a discount from their specified denomination. Instead of periodical interest payments, the difference between the redemption amount and the Issue Price constitutes interest income until maturity and reflects the market interest rate. A holder of a Security with a zero coupon structure is exposed to the risk that the price of such Security falls as a result of changes in the market interest rate.

### **1.9 Risk related to Securities linked to an Index or Future(s)**

Securities linked to an index or future are debt securities which do not provide for predetermined redemption amounts and/or interest payments but amounts due in respect of principal and/or interest will be dependent upon the performance of an index or underlying future(s), which itself/themselves may contain substantial credit, interest rate or other risks. The redemption amount and/or interest, if any, payable by the Issuer might be substantially less than the Issue Price or, as the case may be, the purchase price invested by the Securityholder and may even be zero in which case the Securityholder may lose his entire investment.

Securities linked to an index or future are not in any way sponsored, endorsed, sold or promoted by a sponsor or the respective administrator, promoter or licensor (with respect to Securities linked to an index only) of the index or the future(s) and such persons make no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the index or future(s) and/or the figure at which the index or future(s) stands at any particular time. None of the sponsors or the respective administrator or promoter or licensor (with respect to Securities linked to an index only) is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Securities to be issued or in determination or calculation of the equation by which the Securities settle into cash.

None of sponsors or the respective administrator or promoter or licensor (with respect to Securities linked to an index only) has any obligation or liability in connection with the administration, marketing or trading of the Securities. The sponsors or the respective administrator or promoter or licensor (with respect to Securities linked to an index only) of the index or the future(s) have no responsibility for any calculation agency adjustment made for the index or the future(s). Hence, potential Securityholders do not have a claim against any sponsor, respective administrator or promoter or licensor (with respect to Securities linked to an index only) in case of an error of the calculation of the index or future(s) or any adjustment of an index or future calculation or for any other reason.

### **1.10 Risk related to Securities linked to Equity or Bonds**

Securities linked to equity or bonds are debt securities which do not provide for predetermined redemption amounts and/or interest payments. Redemption amounts and/or interest payments will depend on the market value of the underlying securities which might be substantially less than the Issue Price or, as the case may be, the purchase price invested by the Securityholder and may even be zero in which case the Securityholder may lose his entire investment. If the underlying securities are to be delivered instead of cash redemption, the value of such securities may also be substantially less than the Issue Price or, as the case may be, the purchase price invested by the Securityholder.

Securities linked to equity or bonds are not in any way sponsored, endorsed, sold or promoted by the issuer of the underlying securities and such issuer makes no warranty or representation whatsoever express or implied, as to the future performance of the underlying securities. Furthermore, the issuer of the underlying securities does not assume any obligations to take the interests of the Issuer or those of the Securityholders into consideration for any reason. None of the issuers of the underlying securities will receive any of the proceeds of the offering of the Securities made hereby and is responsible for, and has participated in, the determination of the timing of, prices for or quantities of, the Securities. The investment in the Securities does not result in any right to receive information from the issuer of the underlying securities, to exercise voting rights or to receive distributions on the underlying securities. Hence, potential Securityholders do not have a claim against any issuer of the underlying securities for any reason.

#### **1.11 Risks related to Securities whose Profit Potential is Capped**

Potential holders of Securities which provide for a floating interest rate that is capped should be aware that the profit potential in relation to such Securities is capped and that the market value of such Securities will fall if the market interest rates increase.

#### **1.12 Risks related to an Issuer's Call Option**

In case of Securities which provide for an Issuer call option, the Issuer is entitled to redeem the Securities in whole but not in part prior to the maturity date. The Issuer is likely to exercise its option when its total cost of borrowing is lower than the yield on such Securities. As a result, (a) the market value of such Securities generally will not rise substantially above the optional early redemption price and (b) holders of such Securities may incur additional transaction costs as a consequence of reinvesting proceeds received upon early redemption and such reinvestment may be on less favourable terms than the relevant Securityholder's initial investment in the Securities.

#### **1.13 Risks related to Physical Delivery of Assets**

In case of Securities which provide for a physical delivery of an asset or assets, Securityholders should be aware that such physical delivery may have unfavourable tax or other financial consequences. Furthermore, it may be prohibited or restricted for certain Securityholders to directly hold and/or sell any of the assets to be delivered according to the terms of the Securities. Neither the Issuer nor any other Agent assumes any responsibility to monitor, anticipate or control whether a specific Securityholder is entitled to hold and/or sell any of the assets to be delivered according to the terms of the Securities and shall not be liable for any damages that may occur due to the holding or on-selling of any of such assets or such delivery.

#### **1.14 Risks related to Multipliers or Leverage Factors**

In case a formula used to determine an amount payable and/or the quantity/value of an asset or assets to be delivered under the Securities contains a multiplier or leverage factor (whether implicit or explicit) greater than one, then the percentage change in the value of the Securities will be greater than any positive and/or negative performance of the determinant(s) used in such formula to determine the amount payable and/or the quantity/value of an asset or assets to be delivered under the Securities. Securities which include such a multiplier or leverage factor represent a very speculative and risky form of investment, since any loss in the value of the relevant determinant(s) carries the risk of a correspondingly higher loss on the Securities. Furthermore, the market value of such Securities is generally more volatile.

In case a formula used to determine the amount payable and/or the quantity/value of an asset or assets to be delivered under the Securities contains an explicit or implicit multiplier or leverage factor of less than one, then the percentage change in the value of the Securities will be less than any positive and/or negative performance of the determinant(s) used in such formula to determine the amount payable and/or the quantity/value of an asset or assets to be delivered under the Securities. Securities which include such a multiplier or leverage factor will not benefit from the full extent of

any gain in the value of the relevant determinant(s). Furthermore, the market value of such Securities is generally more volatile.

Warrants in particular are exposed to a high leverage as their issue or purchase price is generally a fraction of the calculation amount. This means that any percentage change in the underlying reference rate, floating rate or price will result in a multiple percentage change in the value of the warrant. Consequently, the market value of warrants is significantly more volatile than the market value of non-leveraged products.

### **1.15 Risks associated with the regulation and reform of benchmarks**

Indices, reference rates, interest rates used as Underlying generally constitute benchmarks and as such may be subject to supervisory law regulations and reform proposals; the same applies to certain other Underlyings used for the purposes of the Securities, e.g. currency exchange rates or certain baskets (such Underlying is also referred to as "benchmark").

Innovations such as the ones introduced by IOSCO's Principles for Financial Benchmarks (the "**IOSCO Principles**") and the EU Benchmarks Regulation may result in the different performance of the relevant Benchmarks. It may exclude Benchmarks from being used as Underlying for example, because the indices may incur higher costs if regulatory requirements for the administrator are tightened or because certain uses by EU supervised entities of Benchmarks provided by administrators that are not authorised or registered (or, if located outside the EU, deemed equivalent or recognised or endorsed) is prohibited by the EU Benchmarks Regulation.

Benchmarks such as indices, reference rates or interest rates used as Underlying may also be affected by regulatory guidance and reform or changes in policy at national, as well as at international level. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London Interbank Offered Rate ("**LIBOR**") benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. This may, in particular, lead to a substitution of LIBOR as Underlying in accordance with the terms and conditions of the Securities. Further national or international regulatory reforms may have other effects which are not foreseeable at present.

More generally, any of the above changes or any other consequential changes to LIBOR, EURIBOR, or any other Benchmark as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. The disappearance of a Benchmark or changes in the manner of administration of a Benchmark could result in adjustments to the terms and conditions of the Securities as determined by the Independent Advisor – including, without limitation, the substitution of such Benchmark with another Benchmark – the early redemption or termination, subject to discretionary valuation by the Calculation Agent, delisting or other consequences in relation to Securities linked to such Benchmark. In addition, fallback provisions specified in the terms and conditions of the Securities may apply or the Issuer, acting upon the advice of an Independent Advisor, may adjust the terms and conditions of the Securities in the event a Benchmark materially changes or ceases to be provided in order to comply with the provisions of the EU Benchmarks Regulation. Any such consequence could have a material adverse effect on the value, volatility of and return on any Securities based on or linked to a Benchmark. Potential investors should be aware that each of these changes may have a material adverse effect on the level or availability of the Benchmark and consequently on the value of the Securities.

### 1.16 Risks associated with the Benchmark replacement

The use of the Alternative Benchmark (including the determination to use (or not use) an Adjustment Spread in respect of the Alternative Benchmark) may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on such Securities if the Existing Benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Advisor or if the Independent Advisor appointed by the Issuer fails to determine an Alternative Benchmark the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark in a situation in which it is presented with a conflict of interest. Any such consequences could have an adverse effect on the value and marketability of, and return on, such Securities.

## 2 Market Risk Factors

### 2.1 Volatility of the Value of the Securities

The market value of, and return on, the Securities will be affected by a number of factors, which may be unpredictable or beyond the Issuer's control, and which may offset or magnify each other. Such factors may cause the value of the Securities to fall significantly and/or cause substantial volatility in the value of the Securities. These factors include, without limitation, the following:

- (a) **Credit spread and creditworthiness of the Issuer:** If the creditworthiness of the Issuer deteriorates, the credit spread of the Issuer generally increases, which will reduce the value of the Securities. For instance, a deterioration in the credit rating of the Issuer will most likely result in an increase in the credit spreads of the Issuer and thus have a negative impact on the market value of the Securities. The credit spread of the Issuer may also increase for a variety of other reasons, including general developments in the credit markets or political developments in the region or country the Issuer is located or doing business, which may not be foreseeable on the trade date or the issue date;
- (b) **Interest rates:** Changes in interest rates generally affect the market value of financial instruments such as the Securities. For instance, if interest rates rise, the market value of securities with a fixed coupon and securities with a floating coupon and a cap will fall;
- (c) **Remaining time to maturity:** Generally, the longer the time-to-maturity of the Securities, the greater the impact of changes in interest rates, credit spreads and other factors on the market value of the Securities and thus the greater its volatility;
- (d) **Liquidity:** In situations where the liquidity of the financial markets in general or in respect of the Issuer decreases, the bid/offer spreads in financial instruments are increasing and the market value of the Securities is expected to fall;
- (e) **Supply and demand:** Supply and demand for the Securities and for obligations of or exposure to the Issuer (including inventory positions of any market maker) may impact the value of the Securities. In particular, if the supply increases and/or the demand falls, the market value of the Securities is expected to fall;
- (f) **Economic, financial, political or regulatory events or judicial decisions** that affect the Issuer or the financial markets generally.

As a general rule, the market value of structured products is more volatile than the market value of comparable investments that do not provide for any structured features.

In the ordinary course of their businesses, the Issuer and its Affiliates may from time to time express views on expected movements in the underlying or one or more of these factors. These views are sometimes communicated to customers

of the Issuer or its Affiliates. 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 in the market place may at any time have significantly different views from those of the Issuer and its Affiliates. Securityholders should derive information about the financial markets from multiple sources and should investigate the financial markets. Securityholders should not rely on any views expressed by the Issuer or its Affiliates in the ordinary course of the Issuer's or its Affiliates' businesses.

Securityholders should also note that research reports may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any of these activities may affect the market value of the Securities.

## **2.2 No Secondary Market and no or limited liquidity**

Potential Securityholders should note that there is generally no secondary market for the Securities and in case a secondary market develops there is no assurance that it will continue. The Issuer is under no obligation to provide a bid or offer price for securities issued by itself or an Affiliate. Therefore potential Securityholders should only make an investment therein if they can hold the Securities until their maturity date and do not need to be able to sell them prior to their maturity date. Securityholders should also be aware of the circumstance that pricing information regarding the Securities may be difficult to obtain due to the non-existence of a secondary market.

In case a Securityholder is able to observe a secondary market or the Issuer and/or one of its Affiliates chooses to provide liquidity by means of bid and/or offer prices for the Securities, even though it is under no legal obligation to do so, the spread between the bid and offer prices may vary and may be significantly expanded. Consequently, if Securityholders are able to sell their Securities, it may be at a price that is substantially lower than their actual value at the time of such sale, which may lead to losses to those Securityholders. Finally, if secondary market prices are provided by the Issuer and/or one of its Affiliates as well as third party dealers, the bid and/or offer prices offered by such third party dealers may be significantly different (higher or lower) from any prices quoted by the Issuer or one of its Affiliates.

## **2.3 Commission, Fees and other Costs affecting the value of the Securities**

The issue price of the Securities may include amounts in respect of certain commissions paid with respect to the distribution of the Securities, together with certain fees and costs (including, but not limited to, hedging costs) incurred by the Issuer as well as profit to the Issuer. Thus the price at which a potential bidder (including, without limitation, the Issuer) may be willing to purchase the Securities in the secondary market (if any), all other factors being equal, is likely to be less than the original issue price, since the original issue price included, and secondary market prices are likely to exclude, those commissions, fees, costs and the projected profit. Consequently, the spread between bid and offer prices, to the extent observable, is likely to be widened as a result of the commission, fees, costs and projected profit included in the original issue price.

## **2.4 Secondary Market Prices differ from values of Pricing Models and/or Valuations**

If a Securityholder receives a bid price for the Securities, it may be significantly different from a theoretical price determined by pricing models used by the Issuer or any other market participant. Therefore, if the Issuer provides valuations to Securityholders (which may or may not be based on such models), Securityholders should not assume that they will be able to dispose the Securities at prices equal or close to such valuation.

## **2.5 Price Source and Settlement Disruption Events**

The Securities may be subject to price source disruption events or settlement disruption events, as set out in section III. 6 (*Price Source Disruption Event*) and section III. 7 (*Settlement Disruption Event*) or the relevant Final Terms. The Calculation Agent (in case of price source disruption events) or the Issuer or the Paying Agent (in case of settlement

disruption events) may determine in its sole and absolute discretion that a price source disruption event or a settlement disruption event has occurred or exists at any time. Any such determination may lead to

- (a) a postponement or a suspension of payments under the Securities; and/or
- (b) a determination of payments under the Securities based on parameters or information not provided for in the Product Documentation which are applied by the Calculation Agent in its sole discretion; and/or
- (c) a redemption of the Securities on a date occurring earlier or later than the envisaged redemption date; and/or
- (d) a redemption which is made in another way as envisaged (e.g. by physical delivery of assets instead of cash settlement or *vice versa*),

and may in turn have an adverse effect on the value of the Securities. Neither the Issuer nor the Calculation Agent has any liability *vis-à-vis* the Securityholders for any losses incurred by them as a consequence of the determination that a price source disruption event or a settlement disruption event has occurred.

Further, the methodology, source, content, composition, constitution or administrator of a rate, quote, price or other information that is required to make a determination in respect of the Securities may change. In such case, the Calculation Agent may, subject to the provisions set out in section II. 2.1 (*Determination of the applicable Floating Rate*), reasonably determine a successor of or alternative for such rate, quote, price or other information which is commonly used by market participants as successor or alternative rate, quote, price or other information. Any such determination of a successor of or alternative for such rate, quote, price or other information may have an adverse effect on the value of the Securities. Any such determination made by the Calculation Agent is binding and the Calculation Agent does not have any liability in respect thereof.

### 3 Risk Factors relating to the Issuer

As a global financial services provider, the business activities, profitability and ultimately the creditworthiness 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 and the financial standing of the Issuer are and have been subject to fluctuations. The revenues and earnings figures from a specific period are not evidence of sustainable results and should not be used for any projections of the Issuer's financial situation and perception in the market.

#### 3.1 General insolvency risk

Each Securityholder bears the general risk that the financial situation of the Issuer could deteriorate. Unless otherwise stated in the relevant Final Terms, the Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other 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. The obligations of the Issuer created by the Securities are not covered by a deposit guarantee or a compensation scheme. In case of an insolvency of the Issuer, Securityholders will suffer a substantial loss or even a total loss of their initial investment in the Securities.

#### 3.2 Restructuring or insolvency proceedings opened by FINMA

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to the Issuer if there is justified concern that it is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. Such powers include ordering protective measures (*Schutzmassnahmen*), instituting restructuring proceedings (*Sanierungsverfahren*) (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings (*Bankenkongkurs*), all of which may have a



material adverse effect on shareholders and creditors or may prevent the Issuer from paying dividends or making payments on debt obligations.

Protective measures may include, but are not limited to, certain measures that could require or result in a moratorium (*Stundung*) on, or the deferment of, payments (*Fälligkeitsaufschub*). The Issuer would have limited ability to challenge any such protective measures, and creditors and shareholders would have no right under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

If restructuring proceedings are opened with respect to the Issuer, the resolution powers that FINMA may exercise include the power to (i) transfer all or some of the assets, debt and other liabilities, and contracts of the Issuer to another entity, (ii) stay for a maximum of two business days a. the termination of, or the exercise of rights to terminate, netting rights, b. rights to enforce or dispose of certain types of collateral or c. rights to transfer claims, liabilities or certain collateral, under contracts to which the Issuer is a party, and / or (iii) partially or fully write down the equity capital and, if such equity capital is fully written down, convert into equity or write down the capital and other debt instruments of the Issuer. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

Upon full or partial write-down of the equity and debt of the Issuer, the relevant shareholders and creditors would receive no payment in respect of the equity and debt that is written down, the write-down would be permanent, and the investors would not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential recovery of the debtor. If FINMA orders the conversion of debt of the Issuer into equity, the securities received by the investors may be worth significantly less than the original debt and may have a significantly different risk profile, and such conversion would also dilute the ownership of existing shareholders. In addition, creditors receiving equity would be effectively subordinated to all creditors of the Issuer in the event of a subsequent winding up, liquidation or dissolution of the restructured entity, which would increase the risk that investors would lose all or some of their investment.

FINMA has significant discretion in the exercise of its powers in connection with restructuring proceedings. Furthermore, certain categories of debt obligations, such as certain types of deposits, are subject to preferential treatment. As a result, holders of obligations of the Issuer may have their obligations written down or converted into equity even though obligations ranking on par with or junior to such obligations are not written down or converted.

### 3.3 Risk of a bail-in

The Issuer and the Securities are subject to the Swiss Banking Act and FINMA's bank insolvency ordinance, which empowers FINMA as the competent resolution authority to in particular apply under certain circumstances certain resolution tools to credit institutions. These measures include in particular the write-down or conversion of securities into common equity of such credit institution (the so called bail-in). A write-down or conversion would have the effect that the Issuer would insofar be released from its obligations under the Securities. Securityholders would have no further claim against the Issuer under the Securities. The resolution tools may, hence, have a significant negative impact on the Securityholders' rights by suspending, modifying and wholly or partially extinguishing claims under the Securities. In the worst case, this can lead to a total loss of the Securityholders' investment in the Securities.

Such legal provisions and/or regulatory measures may severely affect the rights of the Securityholders and may have a negative impact on the value of the Securities even prior to any non-viability or resolution in relation to the Issuer.

### 3.4 Creditworthiness of the Issuer

The general perception of the Issuer's creditworthiness may adversely affect the value of the Securities. This perception depends on a variety of factors, which may be unpredictable or beyond the Issuer's control, and which may offset or magnify each other. In general, these factors include, without limitation, the following:

- (a) **Credit ratings:** Rating agencies such as Standard & Poor's, Fitch and Moody's assign ratings to the Issuer and its Affiliates. Any downgrade of the Issuer's or any of its Affiliates' rating may negatively affect the perception of the Issuer's creditworthiness;
- (b) **Regulatory and legislative changes:** The Issuer's creditworthiness may be negatively affected by regulatory and/or legislative changes affecting financial institutions. These may include measures such as (but not limited to) requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to wind down or break up;
- (c) **Reputation of the Issuer:** The occurrence of an event or circumstance which leads to a reputational damage for the Issuer will negatively affect the business and prospects of the Issuer and therefore may have an adverse effect on the Issuer's (current or future) creditworthiness;
- (d) **Capital strength of the Issuer:** The capital strength of the Issuer is measured by the BIS tier 1 ratio and total capital ratios and determined by RWA and eligible capital. Both RWA and eligible capital are subject to change and could be reduced, *inter alia*, if the Issuer experiences net losses or if reductions in the ratings of securitization exposures or adverse currency movements occur. Such a reduction could also lead to a more negative assessment of the Issuer's creditworthiness;
- (e) **Market conditions and economic climate:** The financial services industry and the Issuer generally prosper in conditions of economic growth, stable geopolitical conditions, transparent, liquid and buoyant capital markets and positive investor sentiment. On the other hand, an economic downturn (precipitated by e.g. geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism), inflation or a financial crisis can negatively affect the Issuer's revenues and ultimately its capital base;
- (f) **Legacy and other risk positions:** The Issuer holds legacy and other risk positions which may further fall in value or in respect of which expected cash flows do not materialize. This may have a negative effect on the Issuer's capital base and revenue situation;
- (g) **Currency fluctuations:** Due to the Issuer's global presence, changes in foreign exchange rates may have an adverse effect on the Issuer's reported income and expenses, and on other reported figures such as invested assets, balance sheet assets, RWA and tier 1 capital;

- (h) **Risk management and control processes:** Credit is an integral part of many of the Issuer's retail, wealth management and investment bank activities. To be successful over time and to avoid or limit potential losses in its trading and counterparty credit businesses, the Issuer must balance the risks it takes against the returns it generates. Therefore, it must diligently identify, assess, manage and control its risks, not only in normal market conditions but also as they might develop under more extreme (stressed) conditions, when concentrations of exposures can lead to severe losses. If the Issuer's risk management and control processes fail or prove ineffective in identifying, assessing, managing and controlling such risks, the Issuer could suffer material losses;
- (i) **Valuation techniques:** Where price information is not available for certain instruments, the Issuer applies valuation techniques to measure such instruments. In the case of positions for which some or all of the input required for the valuation techniques are not observable or have limited observability, the Issuer uses valuation models with non-market observable input. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on the Issuer's financial results;
- (j) **Client flows:** A net outflow of client assets in the Issuer's wealth management and asset management businesses could have a significant adverse effect on the Issuer's financial results. Such outflow could result from a number of different factors, including, but not limited to, losses of the Issuer, reputational damage, changes in applicable tax laws, the loss of client advisors, difficulty in recruiting qualified client advisors or developments concerning the Issuer's cross-border private banking business;
- (k) **Liquidity and funding management:** The viability of the Issuer's business depends upon the availability of funding sources and the Issuer's success depends upon its ability to obtain funding in a way that enables the Issuer to efficiently support its asset base in all market conditions. If such funding sources become unavailable or too costly for the Issuer, this may have a direct impact on any bid price for the Securities;
- (l) **Operational risks:** The Issuer's operational risk management and control systems and processes are designed to help ensure that the risks associated with the Issuer's activities, including those arising from process error, failed execution, unauthorized trading, fraud, system failures, cyber-attacks and failure of security and physical protection, are appropriately controlled. If the Issuer's internal controls fail or prove ineffective in identifying and remedying such risks, the Issuer could suffer operational failure that might result in material losses;
- (m) **Legal claims and regulatory risks and restrictions:** Due to the nature of the Issuer's business, the Issuer is subject to regulatory oversight and liability risk. The Issuer is involved (and may in the future be involved) in a variety of claims, disputes, legal proceedings and government investigations in jurisdictions where it is active. These proceedings expose or may expose the Issuer to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on the Issuer's businesses. The outcome of these matters as well as of any future matters of the same nature cannot be predicted and they could adversely affect the Issuer's future business and financial results. Furthermore, any such matters are generally public and may result in reputational damage which again may negatively impact the Issuer's business and ultimately the perception of its creditworthiness;
- (n) **Ability to identify or capture revenue or competitive opportunities, or retain and attract qualified employees:** The financial services industry is characterized by intense competition, continuous innovation, detailed (and sometimes fragmented) regulation and ongoing consolidation. The Issuer faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to the Issuer in their size and breadth. The Issuer's competitive strength and market position could be eroded if the Issuer is unable to identify market trends and developments, does not respond to them by devising and implementing adequate business strategies, is restricted by regulatory constraints which may be more severe than regulatory constraints for financial institutions outside Switzerland or is unable to attract or retain the qualified employees needed to successfully carry on its business which in turn would negatively affect the Issuer's business performance;

- (o) **Changes in accounting standards:** Changes in the accounting standards applicable to the Issuer may mean that the Issuer's reported results and financial position differ in the future from those expected. Furthermore, such changes may affect the Issuer's regulatory capital and ratios as well as its reported results and financial position as a whole;
- (p) **Different regulatory, legal and tax regimes:** Due to the fact that the Issuer is subject to many different legal, tax and regulatory regimes, its ability to execute its global strategy depends on obtaining and maintaining local regulatory approvals. Furthermore, changes in local tax laws or regulations and their enforcement may affect the ability or the willingness of the Issuer's clients to do business with the Issuer or the viability of the Issuer's strategies and business models.

Any combination of such risk factors may have a magnified negative effect on the creditworthiness of the Issuer and therefore the value of the Securities.

For a more detailed and comprehensive description of the above factors, Securityholders are referred to the Issuer's latest quarterly financial results accessible on the internet on website [http://www.ubs.com/global/en/about\\_ubs/investor\\_relations.html](http://www.ubs.com/global/en/about_ubs/investor_relations.html) (or any successor website thereto).

### **3.5 Substitution of the Issuer**

Subject to certain provisions set out in the terms and conditions of the Securities having been fulfilled, the Issuer is in accordance with these General Terms and Conditions, at any time entitled, without the consent of the Securityholders, to substitute (a) any company (incorporated in any country in the world) controlling, controlled by or under common control with, the Issuer; (b) any other company with which it consolidates, into which it merges or to which it sells, leases, transfers or conveys all or substantially all its property; and (c) any branch of such company referred to in (a) and (b) as issuer (the "**Substitute Issuer**") with respect to all obligations under or in connection with the Securities.

This may impact any listing of the Securities and, in particular, it may be necessary for the Substitute Issuer to reapply for listing on the relevant market or stock exchange on which the Securities are listed. In addition, following such a substitution, Securityholders will become subject to the credit risk of the Substitute Issuer.

## **4 Risk Factors relating to Potential Conflicts of Interest**

### **4.1 Participation in transactions related to the Securities**

In the ordinary course of its business, the Issuer and any of its Affiliates may participate in transactions including, without limitation, derivative transactions which may affect the Securities in some way, for their own account or for account of a customer. Furthermore, the Issuer and/or any of its Affiliates may enter into transactions which hedge any exposure the Issuer may have stemming from the Securities. Any such transaction may adversely affect the value, performance, liquidity, cash flows or any other aspect of the Securities. As a result, conflicts of interest may arise between Affiliates of the Issuer, as well as between these Affiliates or the Issuer and the Securityholders. The Issuer or any of its Affiliates will not take into account the interests of the Securityholders and will act in such a way as if the Securities were not existing.

Furthermore, the Issuer and its Affiliates may

- (a) issue, market or sell other financial instruments, the introduction of which may negatively affect the value, performance, liquidity, cash flows or any other aspect of the Securities;
- (b) whether by virtue of the types of relationships described herein or otherwise, at any time, be in possession of information that is or may be material in the context of the Securities and that may or may not be publicly

available or known to the Securityholders, and the Securities do not create any obligation on the part of the Issuer or its Affiliates to disclose to any Securityholder any such information (whether or not confidential);

- (c) publish research reports which may relate to any aspect or feature of the Securities;
- (d) in case the relevant Security influences or relates to any other financial instrument (such as, but not limited to, bonds, loans or shares), when holding such financial instruments, exercise their voting rights with respect to such financial instruments and engage in any kind of commercial or investment banking or other business with the issuer(s) and/or obligor(s) of such financial instruments or any of its/their Affiliates,

and with regard to any of these activities, the Issuer's or any of its Affiliate's interests may be adverse to those of the Securityholders and its or their actions might have an adverse effect on the position of any Securityholder. In any case, neither the Issuer nor any of its Affiliates is obliged to take into account the interests of the Securityholders and neither the Issuer nor any of its Affiliates are liable for any loss incurred by Securityholders.

#### **4.2 Issuer acting as Calculation Agent under the Securities**

The Issuer or one of its Affiliates will act as Calculation Agent under the Securities. In performing its duties in its capacity as Calculation Agent, the Issuer (or such Affiliate) may have interests adverse to the interests of the Securityholders, and this may adversely affect the value, performance, liquidity, cash flows or any other aspect of the Securities and ultimately the Securityholders' return on the Securities (particularly where the Calculation Agent is entitled to exercise discretion). In addition, the Issuer and its Affiliates may act in other capacities with regard to the Securities, such as Paying Agent and/or Index Sponsor (as specified in the relevant Final Terms).

#### **4.3 Distributors or other entities involved in the offering or listing of the Securities**

Potential conflicts of interest may arise in connection with the Securities if a distributor placing the Securities or other entity involved in the offering or listing of the Securities is acting pursuant to a mandate granted by the Issuer or any of its Affiliates or receives commissions and/or fees based on services performed in connection with, or related to the outcome of, the offering or listing of the Securities.

#### **4.4 Distribution Agent Remuneration**

The Issuer may enter into distribution agreements with various financial institutions and other intermediaries as determined by the Issuer (each a "**Distribution Agent**"). Each Distribution Agent will agree, subject to the satisfaction of certain conditions, to subscribe for the Securities at a price equivalent to or below the Issue Price and below the purchase price paid by a Securityholder. A periodic fee may also be payable to the Distribution Agents in respect of all outstanding Securities up to, and including, the maturity date or the date of redemption, as applicable, at a rate as determined by the Issuer. Such rate may vary from time to time. Due to the fees a Distribution Agent receives in connection with the distribution of the Securities potential conflicts of interest may arise.

#### **4.5 The Issuer as participant in dealer polls or other contributor to benchmark fixings**

Potential Securityholders should note that the Issuer and certain of its Affiliates are regular participants in dealer polls and contributors to benchmark fixings. In providing such quotes or contributions, the Issuer will not take into account the existence of the Securities or the interests of the Securityholders.

### **5 Risk Factors relating to the Investment in the Securities in General**

#### **5.1 The Securities are not subject to a government guarantee or government compensation or insurance scheme**

An investment in the Securities will not be covered by any compensation or insurance scheme (such as a bank deposit protection scheme) of any government agency in Switzerland or any other jurisdiction and the Securities do not have the benefit of any government guarantee. The Securities are obligations of the Issuer only and Securityholders must look solely to the Issuer for the performance of the Issuer's obligations under the Securities. In the event of the insolvency of the Issuer, a Securityholder may lose all or some of its investment therein (see section V. 3.1 (*General insolvency risk*) above).

## **5.2 Determinations by the Calculation Agent**

The Calculation Agent has broad discretionary authority to make various determinations and adjustments under the Securities, any of which may have an adverse effect on the market value thereof or amounts payable or other benefits to be received thereunder. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of proven or manifest error) shall be final and binding on the Issuer and all Securityholders.

## **5.3 Amendments of Product Documentation without the consent of the Securityholders**

The Issuer is entitled to modify or amend the relevant Final Terms or these General Terms and Conditions from time to time without the consent of the Securityholders provided that the modifications or amendments fulfil certain requirements as set out in section III. 18 (*Severability and Amendments*).

## **5.4 Possible Exposure to Exchange Rate Risks**

The settlement currency of the Securities may not be the currency of the home jurisdiction of an investor therein. In this case, the relevant investor is exposed to the risk that the exchange rate in respect of the settlement currency deteriorates. Such deterioration, on the other hand, has an adverse effect on the return of the Securities in the currency of the home jurisdiction of the investor.

Where the calculation of any amount payable under the Securities involves a currency conversion, fluctuations in the relevant exchange rate will directly affect the market value and return of the Securities and create a loss to the investor.

## **5.5 Determinations in respect of the Securities**

There may be no centralized market for reference rates, floating rates or amounts in respect of the Securities (including, but not limited to, foreign exchange rates, interest rates, forward rates or other financial factors). The Calculation Agent will determine, if applicable, the relevant rates or amounts by reference to internal market data, Bloomberg, Reuters or other electronic data providers available at the relevant time or based on hedging transactions traded by the Issuer and its Affiliates. Due to the potentially high volatility in such rates or amounts, they may have been determined at a time at which it was disadvantageous to the interests of the Securityholders. Neither the Calculation Agent nor the Issuer has any obligation or responsibility *vis-à-vis* the Securityholders in this respect and the Calculation Agent will not review any other source of information.

## **5.6 Interest Rate Risk**

The interest rate risk is one of the central risks of interest-bearing securities. The interest rate level on the money and capital markets may fluctuate on a daily basis and cause the value of the Securities to change on a daily basis.

The market interest level is strongly affected by public budget policy, the policies of the central bank, the overall economic development and inflation rates, as well as by foreign interest rate levels and exchange rate expectations. However, the importance of individual factors cannot be directly quantified and may change over time.

The interest rate risk may cause price fluctuations during the term of the Securities. The longer the remaining term until maturity or the date of redemption, as applicable, of the Securities, the greater the price fluctuations.

In case the market interest rate levels are or become negative, the value of the Securities may decrease and investors will have to bear the risk of loss of capital invested.

### **5.7 Inflation Risk**

Inflation risk is the risk of future money depreciation. The real yield on an investment is reduced by inflation. Consequently, the higher the rate of inflation, the lower the real yield on the Securities will be. If the inflation rate is equal to or higher than the yield under the Securities, the real yield on the Securities will be zero or even negative. Further, the real economic value of the redemption amount will be influenced by the rate of inflation and the term of the Securities. Consequently, the higher the rate of inflation and the longer the term of the Securities, the lower the real economic value of the redemption amount will be.

### **5.8 Effect of Transaction Costs and Charges**

When the Securities are issued or sold, several types of incidental costs, fees, commissions and profits are included in the purchase price of the Securities. Such costs and fees may include (a) distribution fees to intermediaries, brokers or other distributors and financial advisors; (b) commissions paid internally from one department to another department (e.g. sales department) of the Issuer; (c) hedging costs and brokerage fees incurred by the Issuer in connection with the issuance of the Securities; (d) a profit priced into the Issue Price for the benefit of the Issuer; (e) other costs incurred by the Issuer in connection with the issuance of the Securities (including, without limitation, costs for external legal and tax advice). Such costs reduce the value of the Securities in the sense that a potential bid price will exclude such costs and therefore is likely to be lower than the Issue Price or offer price of the Securities.

### **5.9 Reinvestment Risk**

Potential Securityholders may be exposed to risks connected to the reinvestment of cash resources freed from the Securities, in particular as the result of an early or optional redemption of the Securities. The return a Securityholder will receive depends not only on the market value of, and payments (or other benefits) to be received under, the Securities, but also on whether or not such payments (or other benefits) can be reinvested on the same or similar terms as provided for in the terms of the Securities.

### **5.10 Cashflow Risk**

In general, the Securities provide a certain cash flow. These General Terms and Conditions and the relevant Final Terms set forth under which conditions, on which dates and in which amounts interest and/or redemption amounts is/are paid. In the event that the agreed conditions do not occur, the actual cash flows may differ from those expected.

### **5.11 Settlement Risk**

Securityholders must rely on the procedures and rules of the relevant clearing system(s) for transfers, payments, deliveries or communications with the Issuer. In case of technical errors or due to other reasons, payments, deliveries or communications under the Securities may be delayed or may not occur. The Issuer does not take any responsibility for any technical errors, misconduct or failures due to any other reasons of the clearing system or any other third party and for any losses incurred by a Securityholder as a result of such failures (including, without limitation, failures to pay any amounts or deliver any asset(s) due under the Securities or to deliver notices from the Issuer to the Securityholders). Furthermore, the Issuer is discharged from any payment or delivery obligations under the Securities by payment or delivery to, or to the order of, the relevant clearing system(s) or intermediary/-ies. Therefore, Securityholders bear the risk of failures in settlement of the Securities.

## **5.12 Protection Amount**

If and to the extent that a capital protection has been declared applicable in the relevant Final Terms, the Securities will be redeemed for an amount no less than the specified protection at the scheduled maturity date. A capital protection may apply at a level below, at, or above the specified denomination of the Securities. The capital protection, if any, does not apply if the Securities are redeemed prior to their scheduled redemption date (e.g. due to the occurrence of an early redemption event) or upon the occurrence of a price source disruption event or a settlement disruption event. If no capital protection is applicable, the full amount invested by the Securityholders may be lost. Even if capital protection applies, the payment of the protection amount is always subject to the solvency of the Issuer.

## **5.13 Methodological change or discontinuance of the determination of Reference Rate(s) or Floating Rate(s)**

The levels of reference rates and floating rates (such as, but not limited to, EURIBOR®, LIBOR® or ISDAFIX swap rates) are generally calculated by an independent organization or a governmental authority, often based on information provided by market participants who may include the Issuer. The entity publishing the level of a reference rate or floating rate can modify the calculation method for determining such level or make other methodological changes that could affect any determination or cash flow under the Securities. Such entity may also alter, discontinue or suspend calculation or dissemination of the reference rate or floating rate. It is not involved in the offer and sale of the Securities and has no obligation to invest therein. Finally, such entity publishing the level of a reference rate or floating rate may take any actions in respect of the reference rate or floating rate without regard to the interests of the Securityholders, and any of these actions could adversely affect the market value of the Securities.

Any contribution of information by the Issuer or any of its Affiliates to the organization(s) determining the fixing of a reference rate or floating rate is based on the Issuer's or its Affiliates' discretion and such view and information that the Issuer or its Affiliates have available at such time. Neither the Issuer nor any of its Affiliates has any responsibility in taking into account the interests of the Securityholders.

## **5.14 Historical performance should not be taken as Indication for future performance**

The historical performance of any reference rate, floating rate, price or other financial factor that influences the performance of the Securities should not be taken as an indication of the future levels of such factor during the term of the Securities. Changes in the level of such factors may affect the value of the Securities, but it is impossible to predict whether the level of such factors will rise or fall.

## **5.15 Purchase of Securities on Credit**

Securityholders financing the purchase of the Securities 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 Securities, but also have to pay interest on the loan as well as repay the principal amount. It is therefore imperative that Securityholders 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.



### **5.16 Time Lags**

There will be a time lag between the time a Securityholder or the Issuer exercises its redemption option (if the relevant Final Terms of the Securities provide for such option) and the time the applicable redemption amount or deliverable asset(s) relating to such exercise is determined, and during such time lag the redemption amount or the value of the deliverable asset(s) may decrease due to market moves or other reasons, as the case may be. Furthermore, there will be an additional time lag until the payment of the redemption amount or actual delivery of the asset(s), and during such time lag the applicable redemption amount or value of the asset(s) to be delivered may decrease further.

### **5.17 Effect of Hedging Transactions by the Issuer on the Securities**

The Issuer may use a portion of the total proceeds from the sale of the Securities for transactions to hedge the risks of the Issuer relating to the Securities. In such case, the Issuer or one of its Affiliates may (but is under no obligation to) conclude transactions that correspond to the obligations of the Issuer under the Securities. Furthermore, on or before any date on which certain determinations pursuant to the terms and conditions applicable to the Securities will be made, the Issuer or one of its Affiliates may close out any such hedging transactions or enter into further hedging transactions. It cannot be ruled out that (a) such determinations will be influenced by such hedging transactions or close-outs of such transactions and (b) entering into or closing out such hedging transactions may influence the value, performance, liquidity or cash flows of the Securities. If an early redemption event occurs, the Issuer is expected to unwind such hedging transactions or enter into offsetting transactions. Any losses incurred by the Issuer as a result of such transactions will be charged to the redemption amount of the Securities and thus be borne by the Securityholders.

### **5.18 Limited Ability for Securityholders to hedge the risks of the Securities**

The ability to eliminate or to restrict the initial risks of the Securities 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 Securities and potential Securityholders should not rely on the ability to conclude such hedging transactions during the term of the Securities. In case a hedging transaction can be entered into, it is possible that such transaction can only be concluded at unfavourable market prices, resulting in a corresponding loss for the Securityholder. Furthermore, in such case, the Securityholder may not be able to enter into transactions which offset the risks on a 1:1 basis.

### **5.19 Change of Law and Legality of Purchase**

The Securities will be governed by Swiss law in effect from time to time. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law (or other law applicable in Switzerland) or administrative practice after the issue date of the Securities. Furthermore, the Issuer has and assumes no responsibility for the lawfulness of the acquisition of the Securities by Securityholders or prospective purchasers of the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for the compliance by Securityholders with any law, regulation or regulatory policy applicable to them.

### **5.20 Specific risks in relation to the Subscription Period**

The Issuer reserves the right to refrain from commencing the invitation to make offers regarding the Securities prior to the commencement of the subscription period (if any) or withdrawing the invitation to make offers regarding the Securities at any time during the subscription period. If the invitation to make offers regarding such Securities is withdrawn, no such purchase offers regarding the Securities will be accepted. In such case, any amounts paid by an investor to the distributor in relation to the purchase of any Securities will be returned to such investor by the distributor but, depending on the agreement(s) in place between the investor and the distributor and/or the distributor's distribution policies, interest may or may not accrue on such amounts. There may also be a time lag between the cancellation or withdrawal of the invitation to make offers as applicable, and the return of any such

amounts and, unless otherwise agreed with, and paid by, the distributor, no amount will be payable to investors as compensation in respect thereof and investors may be subject to reinvestment risk.

In addition, the Issuer may close the subscription period early, whether or not subscriptions have reached the maximum size of the offer, by immediately suspending the acceptance of further subscription requests and by giving notice thereof. In such circumstances, the early closing of the subscription period will have an impact on the issue size or, as the case may be, the issue size of the Securities issued and therefore may have a negative effect on the liquidity of the Securities.

Furthermore, in certain circumstances, the Issuer may have the right to postpone the originally designated issue date of the Securities. In the event that the issue date is so delayed, no compensation or other amount in respect of interest shall accrue and be payable in relation to the Securities, unless otherwise agreed with the distributor and/or specified in its distribution policies, and paid by the distributor. Investors will have the right, within a prescribed time period, to withdraw their offer as a result of such postponement.

## **5.21 Taxation**

All payments in respect of the Securities are subject to any applicable fiscal or other laws, regulations and directives. Potential Securityholders should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the countries to and from which the Securities are transferred, the country in which the Securityholder is resident or other applicable jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Securities.

The tax considerations with respect to Switzerland set forth in the Product Documentation reflect the general 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 Swiss tax authorities and courts could be interpreted differently. Additionally, the tax considerations set forth in the Product Documentation may not be used as the sole basis for the decision to invest in the Securities from a tax perspective, since the individual situation of each potential Securityholder 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 and each Securityholder should consult its own personal tax advisors before making any decision to purchase the Securities. The Issuer does not accept any liability for adverse tax consequences of an investment in the Securities. There can be no assurance that, as a result of any change in any applicable law, rule or regulation or interpretation thereof, the payments under the Securities might not in the future become subject to withholding tax or other tax charges, or if the Securities are subject to withholding tax, the payments under the Securities might not in the future become subject to withholding tax at an increased rate. If withholding tax or similar tax charges are imposed on any payments under the Securities, neither the Issuer nor any Paying Agent or any other person will gross-up such payments but may deduct such tax charges from the payment amounts. Each Securityholder therefore bears the full tax risk on the Securities.

In the Event that the Issuer

- (a) on the occasion of a payment or delivery due under the Securities, has or will become obliged to pay additional amounts as a result of (i) any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer is or becomes subject to tax (or any political subdivision or any authority thereof or therein having power to tax) or (ii) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures (but not the substitution of the Issuer) available to it,

it may redeem the Securities at the early redemption amount at any time on notice to the Securityholder (see section V. 5.23 (*Early Redemption Events*) below).

## **5.22 Risks relating to U.S. Foreign Account Tax Compliance Withholding**

The following terms apply under general condition of the final regulations on sections 1471-1474 of the U.S. Internal Revenue Code (Chapter 4) and/or any applicable Intergovernmental Agreement on implementing FATCA.

The Issuer and other financial institutions through which payments on the Securities are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made on or after 1 January 2017 in respect of any Securities which are issued (or materially modified) after 1 January 2013 or that are treated as equity for U.S. federal tax purposes whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**", the Foreign Account Tax Compliance Act).

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer becomes obliged to provide certain information on its account holders to the U.S. Internal Revenue Service ("**IRS**") then withholding may be triggered if: (i) the Issuer has a positive "passthru payment percentage" (as determined under FATCA), and (ii) (a) an investor does not provide information sufficient for the Issuer to determine whether or not the investor is a U.S. person or should otherwise be treated as holding a "U.S. reportable Account" by the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the Securities is made, is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not yet clear. If an amount in respect of FATCA or as required under an intergovernmental approach to FATCA were to be deducted or withheld from interest, principal or other payments on the Securities, the Issuer will have no obligation to pay additional amounts or otherwise indemnify a Securityholder for any such withholding or deduction by the Issuer, a Paying Agent or any other party, to any person where such person (other than where such person is acting as an agent of the Issuer) is not entitled to receive payments free of such withholding. As a result, investors may, if FATCA is implemented as currently proposed by the IRS or in consequence of the implementation of an intergovernmental approach, receive less interest or principal than expected.

The Issuer does not expect in practice that payments made either by it or by its Paying Agents in relation to the Securities held in clearing systems will be subject to FATCA withholding as it is expected that the Paying Agents and the relevant clearing systems will be participating FFIs to the extent necessary to avoid being subject to FATCA withholding. However, it is possible that other parties may be required to withhold on payments on account of FATCA as set out above.

The discussion in relation to the FATCA rules above is based on proposed regulations and preliminary guidance. **Securityholders should, consequently, be aware that payments under the Securities may under certain circumstances be subject to U.S. withholding under FATCA. Securityholders are urged to consult their own tax advisors about the possible application of FATCA to an investment in the Securities.**

## **5.23 Early Redemption Events**

Upon the occurrence of a Change in Law, Hedging Disruption, Increased Costs of Hedging or Tax Event (as specified in the relevant Final Terms and defined in section IV. (*Definitions*)), the Issuer may have the right to redeem the Securities in accordance with section II. 3.5 (*Early Redemption*) and the provisions set out in the relevant Final Terms. In the event an early redemption event occurs and the Issuer exercises such early redemption right, the Securityholders will thereafter no longer be able to realise any expectations for a gain in the value of the Securities or a return from the Securities. Securityholders should be aware that the early redemption amount is dependent on then prevailing market conditions and may therefore be considerably less than the expected redemption amount if the Securities had been outstanding until their scheduled maturity date and no payments that would otherwise have been due after the early

redemption date will be made. In particular, the amount to be received by the Securityholders will be reduced by any costs and/or losses incurred by the Issuer and/or the Calculation Agent as a result of occurrence of the relevant early redemption event.

#### **5.24 Provision of Information**

The Issuer, the Calculation Agent or any of their respective Affiliates may have acquired, or may during the term of the Securities acquire public or non-public information with respect to an underlying of the Securities that they may not disclose. Potential Securityholders must therefore make an investment decision based upon their own due diligence and purchase the Securities with the knowledge that any public or non-public information that the Issuer, the Calculation Agent or any of their respective Affiliates may have will not be disclosed to them. None of the Issuer, the Calculation Agent or any of their respective Affiliates is under any obligation to make available (a) any information relating to the Securities other than as may be required by applicable rules and regulations relating to the Securities; or (b) any public or non-public information they may possess with respect to such underlying.

Any information with regard to an underlying contained in the Product Documentation consists of extracts from or summaries of information that is publicly available in respect of such underlying and is not necessarily the latest information available. The Issuer accepts responsibility for accurately reproducing publicly available information with regard to the relevant underlying in the Product Documentation. No further or other responsibility (express or implied) in respect of information relating to such underlying is accepted by the Issuer. The Issuer makes no representation that the information with regard to an underlying, any other publicly available information or any other publicly available documents regarding the underlying asset, index or other item(s) to which the Securities relate are accurate, complete and up-to-date.

There can be no assurance that all events occurring prior to the issue date or trade date of the Securities that could affect the trading price of the underlying asset, index or other item(s) to which the Securities relate (and therefore the trading price and value of the Securities) 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 Securities relate could affect the trading price and value of the Securities.

### **5.25 Rating of the Securities**

A rating of the Securities, if any, may not adequately reflect all risks of the investment in the Securities. Equally, ratings may be suspended, reduced or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value, liquidity and trading price of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### **5.26 Independent Review and Advice**

Each potential investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Securities is fully consistent with its (or if it is acquiring the Securities in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Securities as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Securities in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Securities. Without independent review and advice, an investor may not adequately understand the risks inherent with an investment in the Securities and may lose parts or all of his capital invested without taking such or other risks into consideration before investing in the Securities.

A potential investor may not rely on the Issuer, the Lead Manager(s) or any of their respective Affiliates in connection with its determination as to the legality of its acquisition of the Securities or as to the other matters referred to above.



## APPENDIX 1: DESCRIPTION OF UBS AG



## **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 31 March 2020, UBS Group's common equity tier 1 ("CET1") capital ratio was 12.8%, the CET1 leverage ratio was 3.84% (CET1 leverage ratio with temporary FINMA exemption was 4.18%)<sup>1</sup>, the total loss-absorbing capacity ratio was 32.7%, and the total loss-absorbing capacity leverage ratio was 9.8%.<sup>2</sup> On the same date, invested assets stood at USD 3,236 billion, equity attributable to shareholders was USD 57,949 million and market capitalisation was USD 33,649 million. On the same date, UBS employed 69,437 people<sup>3</sup>.

On 31 March 2020, UBS AG consolidated CET1 capital ratio was 12.7%, the CET1 leverage ratio was 3.78% (CET1 leverage ratio with temporary FINMA exemption was 4.00%)<sup>1</sup>, the total loss-absorbing capacity ratio was 32.1%, and the total loss-absorbing capacity leverage ratio was 9.5%.<sup>2</sup> On the same date, invested assets stood at USD 3,236 billion and equity attributable to UBS AG shareholders was USD 57,814 million. On the same date, UBS AG Group employed 47,182 people<sup>3</sup>.

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

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

<sup>2</sup> 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 First Quarter 2020 Report, as defined herein, for more information.

<sup>3</sup> 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 in 22 markets, 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 a presence in more than 30 countries and 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 and other. 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 quarter ended 31 March 2020 and 31 March 2019 was derived from the UBS AG First 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"). Effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*. The presentation currency of UBS AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

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 First 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.

	As of or for the quarter ended		As of or for the year ended		
	31.3.20	31.3.19	31.12.19	31.12.18	31.12.17
<i>USD million, except where indicated</i>					
	<i>unaudited</i>		<i>audited, except where indicated</i>		

#### Results

##### Income statement

Operating income	8,009	7,343	29,307	30,642	30,044
Net interest income <sup>1</sup>	1,313	1,101	4,415	4,971	6,021
Net fee and commission income	5,025	4,157	17,460	17,930	17,550
Credit loss (expense) / recovery	(268)	(20)	(78)	(117)	(131)
Other net income from financial instruments measured at fair value through profit or loss <sup>1</sup>	1,775	1,936	6,833	6,953	5,640
Operating expenses	6,210	5,890	24,138	25,184	24,969
Operating profit / (loss) before tax	1,799	1,454	5,169	5,458	5,076
Net profit / (loss) attributable to shareholders	1,421	1,069	3,965	4,107	758



**Balance sheet <sup>2</sup>**

Total assets	1,099,185		971,916	958,055	940,020
Total financial liabilities measured at amortized cost	671,893		617,429	612,174	660,498
<i>of which: customer deposits</i>	468,422		450,591	421,986	423,058
<i>of which: debt issued measured at amortized cost</i>	66,479		62,835	91,245	107,458
<i>of which: subordinated debt</i>	7,551		7,431	7,511	9,217
Total financial liabilities measured at fair value through profit or loss	361,713		291,452	283,717	217,814
<i>of which: debt issued designated at fair value</i>	53,040		66,592	57,031	50,782
Loans and advances to customers	339,946		327,992	321,482	328,952
Total equity	57,983		53,928	52,432	52,046
Equity attributable to shareholders	57,814		53,754	52,256	51,987

**Profitability and growth**

Return on equity (%) <sup>3</sup>	10.2	8.1	7.4*	7.9*	1.4*
Return on tangible equity (%) <sup>4</sup>	11.5	9.3	8.5*	9.1*	1.6*
Return on common equity tier 1 capital (%) <sup>5</sup>	15.9	12.3	11.3*	11.9*	2.3*
Return on risk-weighted assets, gross (%) <sup>6</sup>	12.2	11.1	11.2*	12.0*	12.8*
Return on leverage ratio denominator, gross (%) <sup>7</sup>	3.5	3.2	3.2*	3.4*	3.4*
Cost / income ratio (%) <sup>8</sup>	75.0	80.0	82.1*	81.9*	82.7*
Net profit growth (%) <sup>9</sup>	33.0	(24.3)	(3.4)*	441.9*	(77.4)*

**Resources**

Common equity tier 1 capital <sup>10, 11</sup>	36,194	34,933	35,280	34,608	34,100*
Risk-weighted assets <sup>10</sup>	284,706	266,581	257,831*	262,840*	242,725*
Common equity tier 1 capital ratio (%) <sup>10</sup>	12.7	13.1	13.7*	13.2*	14.0*
Going concern capital ratio (%) <sup>10</sup>	16.5	17.0	18.3*	16.1*	15.6*
Total loss-absorbing capacity ratio (%) <sup>10</sup>	32.1	32.2	33.9*	31.3*	31.4*
Leverage ratio denominator <sup>10</sup>	957,199	911,410	911,232*	904,458*	910,133*
Leverage ratio denominator (with temporary FINMA exemption) <sup>12</sup>	903,756	-	-	-	-
Common equity tier 1 leverage ratio (%) <sup>10</sup>	3.78	3.83	3.87*	3.83*	3.75*
Common equity tier 1 leverage ratio (%) (with temporary FINMA exemption) <sup>12</sup>	4.00	-	-	-	-
Going concern leverage ratio (%) <sup>10</sup>	4.9	5.0	5.2*	4.7*	4.2*
Going concern leverage ratio (%) (with temporary FINMA exemption) <sup>12</sup>	5.2	-	-	-	-
Total loss-absorbing capacity leverage ratio (%) <sup>10</sup>	9.5	9.4	9.6*	9.1*	8.4*

**Other**

Invested assets (USD billion) <sup>13</sup>	3,236	3,318	3,607	3,101	3,262
Personnel (full-time equivalents)	47,182	47,773	47,005*	47,643*	46,009*

\* unaudited

<sup>1</sup> 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.

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

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> The leverage ratio denominator as of 31 March 2020, used for the return calculation, does not reflect the effect of the temporary exemption granted by FINMA in connection with COVID-19. Refer to the "*Recent developments*" section of the UBS Group First 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.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020.

<sup>11</sup> 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.

<sup>12</sup> 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 July 2020. Refer to the "*Recent developments*" and the "*Capital management*" sections of the UBS Group First Quarter 2020 Report for further details about the temporary FINMA exemption.

<sup>13</sup> 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

COVID-19 has introduced an unprecedented situation for UBS and its employees. UBS's key priorities are safeguarding the wellbeing of its employees and their families, serving its clients and ensuring operational continuity.

In response to the global spread of the COVID-19 pandemic governments have taken measures to severely constrain movement, prohibiting public gatherings, requiring working from home where possible, and closing down or limiting non-essential retail and business activity. These measures have had and are expected to continue to have a significantly adverse effect on global economic activity. The global economy is expected to show a meaningful contraction as a result, with the timing and strength of recovery uncertain and dependent on containment of the COVID-19 pandemic and the lifting of measures to contain it. In March 2020, markets experienced substantial decreases in asset values, very high levels of volatility and, in some cases, limited liquidity.

*Operational resilience:* To reduce the risk of contagion in its workforce, and to support its employees and external staff, UBS has moved a substantial part of its workforce to work-from-home solutions.

Around ninety thousand internal and external staff are able to access UBS systems remotely, including a substantial portion of client-facing and trading staff. With the bulk of UBS's workforce now working outside of its offices, UBS faces new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. UBS has taken measures that it believes are appropriate to manage these risks, although such measures have never been tested on the scale or duration that UBS is currently experiencing.

While implementing these measures, UBS experienced record transaction volumes in March along with extreme spikes in volatility and limited liquidity in some markets. As a result of its prior investments in infrastructure and execution of its established business continuity management frameworks, UBS has managed the transition to remote working and the spikes in volumes without material disruption in UBS's service to clients. UBS has experienced some operational risk incidents, none of which resulted in a material loss.

*Effects of the COVID-19 pandemic on UBS's financial and capital position:* UBS has experienced an increase in credit impairments and expected credit losses under IFRS 9 as a result of the adverse economic developments, the sharp decline in market valuations and the increase in volatility in the first quarter. UBS's higher expected credit losses primarily resulted from certain lending exposures to industries and sectors that were adversely affected by COVID-19 and other market decreases. In addition, increases in credit impairments were recognized across all business divisions, in particular from counterparties that were already credit-impaired at year-end and from some new defaults during the quarter.

UBS expects elevated credit loss expenses to persist for at least as long as the COVID-19 containment measures continue. However, given the credit quality of its portfolio, UBS remains confident in its ability to maintain overall strength and stability as well as continue to support its clients.

The increases in credit impairments and expected credit losses were offset as UBS's businesses benefited from increased transaction volumes by clients in the first quarter of 2020, but it is uncertain whether volatility and transaction volumes will remain at elevated levels in the future.

UBS's RWA increased substantially in the first quarter, driven by increases in credit risk and market risk RWA. UBS expects the increased level of RWA to persist at least into the next quarter anticipating additional drawdowns of credit facilities and increased market volatility impacting VaR.

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

*Credit loss expenses* – Total net credit loss expenses in the first quarter of 2020 were USD 268 million, compared with the very low levels seen in previous quarters, reflecting net expenses of USD 89 million related to stage 1 and stage 2 positions and net expenses of USD 179 million related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss expenses of USD 89 million include: (i) USD 63 million of expenses that result from certain lending positions to industries and sectors that were adversely affected by COVID-19 and other market effects, in particular from energy-related exposures (USD 26 million) and securities financing transactions with a number of real estate investment trusts (USD 15 million) and (ii) USD 26 million of net credit loss expenses from systemic changes in scenarios and scenario weights.

Stage 3 net credit loss expenses of USD 179 million were recognized across Personal & Corporate Banking (USD 62 million), the Investment Bank (USD 60 million), Global Wealth Management (USD 41 million) and Group Functions (USD 16 million). Stage 3 expenses in Personal & Corporate Banking predominantly stem from a deterioration in the recoveries expected from loans to corporate counterparties that were already credit-impaired at year-end 2019. Stage 3 expenses in the Investment Bank include a number of credit-impaired positions from energy-related exposures (USD 44 million) and securities financing transactions with a number of real estate investment trusts (USD 16 million). Stage 3 expenses in Global Wealth Management primarily relate to a small number

of collateralized lending positions. Stage 3 expenses in Group Functions (USD 16 million) arose from an energy-related exposure in the Non-core and Legacy Portfolio.

*Committed credit facilities* – Borrowings under committed credit facilities increased as corporate clients sought to increase liquidity. The largest increases in utilization have been from borrowers in the consumer cyclical, health care, and real estate and construction sectors. UBS manages its credit risk on the aggregate of drawn and committed undrawn credit facilities and model full drawing of committed facilities in its stress testing framework. Therefore, increased drawing of these facilities is captured in UBS's overall risk appetite.

*Loan underwriting* – Within the Investment Bank, loan underwriting saw an increased level of activity during the first two months of the quarter, before market activity deteriorated in March. As of 31 March 2020, loan underwriting commitments totaled USD 10.8 billion on a notional basis (of which USD 3.4 billion was investment grade). The majority of the loan underwriting commitments were mandated and planned for de-risking through syndication prior to transaction closing. As of 31 March 2020 USD 0.9 billion of the USD 10.8 billion exposure was not distributed as originally planned, reflecting recent market conditions. Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter. The current portfolio includes a few large transactions supporting core clients in Switzerland, Western Europe and Asia, with these companies having good credit fundamentals. Distribution of the risk continues, despite the volatile market conditions. As of 24 April 2020, UBS has syndicated USD 3.5 billion of UBS's commitments (of which USD 3 billion was sub-investment grade), reducing its outstanding loan underwriting commitments to USD 7.3 billion.

*Exposures to the oil and gas sector* – During the first quarter of 2020, oil prices declined significantly following failed OPEC talks, anticipation of increased supply, and concerns regarding the decline in global demand. UBS has significantly reduced its exposure to the oil and gas sector in recent years. As of 31 March 2020, total net lending exposure directly related to the production and supply of oil and gas, totaled USD 1.5 billion, all of which is in the Investment Bank and Non-core and Legacy Portfolio. More than 60% of UBS's net exposure of USD 1.5 billion was with investment grade-rated counterparties and less than USD 0.2 billion with counterparties rated with an equivalent of single B– or lower. In addition, UBS closely monitors its exposures related to its commodity trade finance activities within Personal & Corporate Banking.

*Overall banking products exposures* – Overall banking products exposure increased by USD 49 billion to USD 564 billion as of 31 March 2020. USD 32 billion of this increase related to balances at central banks and USD 11 billion to loans and advances to customers. The credit-impaired gross exposure increased by USD 1,094 million to USD 4,207 million as of 31 March 2020 and related to stage 3 net credit loss expenses of USD 179 million in the first quarter of 2020. The increase stems mainly from securities financing transactions with a number of real estate investment trusts in the Investment Bank. Within the Investment Bank, loans and advances to customers increased by USD 4.7 billion, mainly reflecting the increased drawings of committed credit lines. The USD 5.2 billion increase of loans and advances to customers in Global Wealth Management was predominantly driven by business growth and by the transfer of the USD 1.6 billion aircraft leasing business from Personal & Corporate Banking (net neutral for the Group). Exposure related to traded products increased by USD 11.8 billion over the quarter, mainly driven by increased market volatility.

*Lombard and securities-based lending* – The number of margin calls in Global Wealth Management for Lombard and securities-based loans increased significantly in March 2020 with the market turmoil and returned to normal levels again in April 2020. In general, these margin calls were resolved by applying standard procedures, but the extraordinary magnitude of market moves on some days resulted in a few cases where collateralized positions needed to be closed out or remained in margin call, resulting in USD 41 million of credit loss expenses. The average LTV for the portfolio was approximately 50% as of 31 March 2020.

*Swiss mortgage portfolio* – Of UBS's total Swiss real estate portfolio of USD 151 billion, USD 137 billion related to UBS's Swiss residential real estate portfolio, which remained stable. It is split into USD 113 billion for single-family homes (average LTV of 55%) and USD 24 billion in

residential income-producing real estate (average LTV of 53%). However, the level of risk in UBS's Swiss commercial retail and office real estate portfolio of USD 6 billion (average LTV of 47%) is likely to increase if the measures to contain COVID-19 remain in place for a prolonged period.

*Exposure to the Swiss economy and Swiss corporates* – Within Personal & Corporate Banking, risks related to UBS's exposures to certain industry sectors has increased. UBS's exposure to the tourism sector (including hotels, restaurants and transport) totals USD 1.6 billion, with hotels accounting for about half of this exposure as of 31 March 2020. Within Personal & Corporate Banking, UBS's exposure to the retail sector was USD 1.2 billion as of 31 March 2020. Apart from a few large counterparties, UBS's exposures to the tourism and the retail sectors are highly diversified across Switzerland, with a high share of collateralized exposure.

### 3.4.3 Accounting, regulatory, legal and other developments

#### Regulatory and legal developments related to COVID-19

The Swiss Federal Council has established a loan guarantee scheme of up to CHF 40 billion, increased from the initially announced amount of up to CHF 20 billion, to support small and medium-sized Swiss companies suffering from substantial reductions in revenue due to the current COVID-19 pandemic. Affected companies can apply through their banks for emergency loans amounting to a maximum of 10% of their annual turnover, with a ceiling of CHF 20 million. Loans up to CHF 0.5 million are 100% guaranteed by the Swiss government and carry a 0% interest rate. Loans of between CHF 0.5 million and CHF 20 million are 85% government-guaranteed; for these loans the portion that is guaranteed by the government carries a 0.5% interest rate and banks are free to determine the interest rate for the remaining portion.

To support the lending capacity of banks, the Swiss Federal Council has deactivated the countercyclical buffer on residential real estate loans at the request of the Swiss National Bank ("SNB") and several other countries similarly reduced their countercyclical buffers. This led to a reduction of 29 basis points of UBS's CET1 capital requirement, with no impact on UBS's capital ratios.

Banks that have model-based market risk RWA calculations, such as UBS, are experiencing an increased number of backtesting exceptions driven by the higher volatility in the markets. These exceptions could ultimately result in higher bank-specific minimum capital requirements. FINMA has introduced a temporary exemption freezing the number of backtesting exceptions from 1 February 2020 until 1 July 2020. As of 31 March 2020, UBS did not benefit from this measure, as the number of backtesting exceptions it experienced would not have led to an increase in market risk RWA.

In addition, FINMA has permitted banks to temporarily exclude central bank sight deposits from the LRD for the purpose of calculating going concern ratios. This exemption applies until 1 July 2020 and may be extended. Applicable dividends or similar distributions approved by shareholders after 25 March 2020 reduce the relief by the LRD equivalent of the capital distribution. As of 31 March 2020, these exclusions resulted in a temporary reduction of UBS's LRD for going concern requirement purposes of USD 78 billion. Given its existing buffers to capital requirements and the temporary nature of this measure, this had no impact on UBS's capacity to provide funding to its clients or the Swiss economy.

Regulators in key jurisdictions outside of Switzerland have taken measures intended to encourage banks to take an accommodative stance when dealing with customers facing financial stress, and also to support liquidity in markets. These measures include a temporary relaxation of capital buffer and Pillar 2 capital requirements, temporary modifications to the LRD and the establishment of special lending or financing facilities.

Furthermore, the Basel Committee on Banking Supervision ("BCBS") has delayed the implementation deadline of Basel III rules by one year, to 1 January 2023. The accompanying transitional arrangement for the output floor has also been extended by one year, to 1 January 2028. Separately, the BCBS and the International Organization of Securities Commissions (IOSCO) have extended the final two implementation phases of the framework for margin requirements for non-centrally cleared derivatives by one year, to 1 September 2022. These measures have no impact on UBS's capital position.

In the US, the Federal Reserve Board (the Federal Reserve), the Federal Deposit Insurance Corporation (the FDIC) and the Office of the Comptroller of the Currency (the OCC) have encouraged, in a joint statement, banking organizations to use capital and liquidity buffers in a prudent manner to support the economy. Furthermore, the Federal Reserve has made a temporary change to permit the exclusion of US Treasury securities and deposits at Federal Reserve Banks from the calculation of the supplementary leverage ratio for bank holding companies (BHCs) and intermediate holding companies (IHCs), including UBS Americas Holding LLC; this temporary change will be in effect until 31 March 2021.

The EU and the European Central Bank (the ECB) have also communicated a series of regulatory measures to stabilize the economy in Europe. None of those measures are expected to have a significant impact on UBS Group.

#### IFRS 9 and COVID-19: Accounting for expected credit losses

In March 2020, the International Accounting Standards Board (the IASB) emphasized that entities should apply appropriate judgment when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions and whether a significant increase in credit risk has occurred.

FINMA, the ECB and other banking regulators have also issued statements emphasizing the need for judgment.

Notwithstanding the measures taken by regulators and clarifying statements, deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility in the income statement.

#### Brexit

Following its withdrawal from the EU on 31 January 2020, the UK has entered a transition period that is scheduled to end on 31 December 2020. The negotiations on the future EU–UK relationship have commenced and both sides have committed to completing all necessary equivalence assessments under existing EU financial services legislation by June 2020. However, the pace of the negotiations has been affected by the COVID-19 pandemic. An extension of the transition period is possible under the terms of the Withdrawal Agreement until 31 December 2021 or 31 December 2022 if the UK requests an extension before 30 June 2020.

#### Proposed abolition of Swiss stamp duty and reform of the Withholding Tax Act

In January 2020, the Economic Affairs and Taxation Committee of the Swiss National Council launched a consultation on a step-by-step abolition of Swiss stamp duties. The proposed bill is expected to strengthen the Swiss capital markets and have a positive effect on national and international investors. Also, in April 2020, the Swiss Federal Council commenced a consultation process regarding amendments to the Withholding Tax Act, proposing to exempt domestic legal entities and foreign investors from withholding tax on interest-bearing investments.

#### Adoption of hedge accounting of IFRS 9, Financial instruments

Effective 1 January 2020, UBS has adopted the hedge accounting requirements of IFRS 9, Financial instruments, for all UBS's existing hedge accounting programs except for fair value hedges of portfolio interest rate risk related to loans, which, as permitted under IFRS 9, continue to be

accounted for under IAS 39, Financial Instruments: Recognition and Measurement. The adoption of these requirements as of 1 January 2020 had no effect on UBS's financial statements.

Under the new guidance, and to reduce income statement volatility, UBS has designated cross-currency swaps and foreign currency debt in fair value hedge relationships, applying the cost of hedging approach to the foreign currency basis spread.

Refer to the "*Recent developments*" section of the UBS Group First Quarter 2020 Report, as well as 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 First Quarter 2020 Report, the COVID-19 pandemic and the measures taken to contain it have dramatically changed the global economic outlook for the foreseeable future. Global GDP is expected to contract in the near term. The disruption to many businesses and rising unemployment as a result of the pandemic are expected to lead to elevated levels of credit loss expenses for the industry. The majority of UBS's credit exposures are either with its Global Wealth Management clients or within Switzerland, and are of high quality. UBS is confident that Switzerland's proven ability to deploy effective crisis management measures will help it withstand this shock to the economy. Looking ahead, the range of possible outcomes remains very wide, and it is too early to make reliable predictions about the timing and shape of any potential economic recovery. Lower asset prices will reduce UBS's recurring fee income, lower interest rates will present a headwind to net interest income, and client activity levels will likely decrease, affecting transaction-based income. The continued disciplined execution of UBS's strategic plans will help to mitigate this. UBS is focused on supporting its employees, clients and the economies in which UBS operates while executing on its strategic plans, and maintaining its 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	Member	2021	Member 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 my TAMAR 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 Société Générale (stepping down from that function in May 2020); 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); member of the board of The Hartford Financial Services Group, Inc. (resignation effective 1 April 2020).
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 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).
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.

#### 4.1.2

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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; board member of UBS Switzerland 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 Saïd 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; chairman 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 Foundation Council of the UBS International Center of Economics in Society; 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; 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 Wealth Management Institute at Nanyang Technological University, Singapore; member of the Singapore Ministry of Finance's Committee on the Future Economy Sub-Committees; member of the Financial Centre Advisory Panel; 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 Asian Bureau of Finance and Economic Research.
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. 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 and the UBS AG First 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 First 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 it 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 described in item 5 of this section, which UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with UBS's 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 early 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 UBS's 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 First Quarter 2020 Report.

**Provisions for litigation, regulatory and similar matters by business division and in Group Functions<sup>1</sup>**

<i>USD million</i>	<b>Global Wealth Management</b>	<b>Personal &amp; Corporate Banking</b>	<b>Asset Manage- ment</b>	<b>Investment Bank</b>	<b>Group Functions</b>	<b>UBS</b>
<b>Balance as of 31 December 2019</b>	782	113	0	255	1,325	2,475
Increase in provisions recognized in the income statement	13	0	0	0	1	<b>13</b>
Release of provisions recognized in the income statement	(5)	0	0	(1)	(1)	<b>(6)</b>
Provisions used in conformity with designated purpose	(34)	0	0	(44)	(394)	<b>(472)</b>
Reclassifications	0	0	0	(3)	3	<b>0</b>
Foreign currency translation / unwind of discount	(9)	(1)	0	(2)	0	<b>(12)</b>
<b>Balance as of 31 March 2020</b>	<b>747</b>	<b>112</b>	<b>0</b>	<b>205</b>	<b>934</b>	<b>1,998</b>

<sup>1</sup> 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.

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. UBS has been informed that the trial in the Court of Appeal that was scheduled for June 2020 has been postponed and a scheduling conference will be held in early June. 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 31 March 2020 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 505 million at 31 March 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 31 March 2020 reflects its 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 31 March 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.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* Certain RMBS trusts filed an action in the US District Court for the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS. In the first quarter of 2020 the court approved the settlement UBS agreed with the trustee in July 2018 and UBS paid the USD 850 million settlement amount. A significant portion of this amount was borne by other parties that indemnified UBS. Proceedings to determine how the settlement funds will be distributed to RMBS holders are ongoing. UBS considers claims relating to substantially all loan repurchase demands to be resolved and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

*Mortgage-related regulatory matters:* 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 31 March 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. In August 2019, the defendants, including UBS, filed a petition to the US Supreme Court requesting that it review the Court of Appeals' decision. The bankruptcy proceedings have been stayed pending a decision with respect to the defendants' petition.

#### 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 2.45 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, and continuing through 2017, 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 31 March 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. In January 2020, UBS and 11 other banks agreed in principle with the plaintiffs to settle the class action for a total of USD 10 million. The settlement is subject to final documentation and 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 preliminary court approval and remains subject to final 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.

*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 other cases remain 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 31 March 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 31 March 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 31 March 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).

## 9. Dividends

For the financial year ended on 31 December 2014, UBS AG paid to its shareholders a dividend of CHF 0.50 per share of CHF 0.10 par value in cash or, at the election of each shareholder, a number of new UBS AG shares as to be of substantially equivalent value to CHF 0.50. UBS AG also paid a supplementary cash dividend of CHF 0.25 per share of CHF 0.10 par value. For the financial year ended 31 December 2015, UBS AG paid a dividend of CHF 3,434 million to UBS Group AG. In addition, as part of the establishment of UBS Business Solutions AG, UBS AG paid a cash dividend of CHF 30 million and transferred its participation in the Poland Service Center as a dividend-in-kind at book value of CHF 5 million to UBS Group AG in 2015. For the financial year ended on 31 December 2016, UBS AG paid to UBS Group AG a dividend of CHF 2,250 million. For the financial year ended on 31 December 2017, UBS AG paid to UBS Group AG a dividend of CHF 3,065 million. For the financial year ended on 31 December 2018, UBS AG paid to UBS Group AG a dividend of USD 3,250 million. For the financial year ended on 31 December 2019, shareholders approved a dividend distribution of USD 2,550 million.