



# UBS General Terms and Conditions for Credit Linked Notes

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**APPENDIX : DESCRIPTION OF UBS AG**

## I. Preliminary Remarks

UBS AG (the "**Issuer**" or "**UBS AG**" or "**UBS**") may from time to time issue credit linked notes (the "**Notes**"). The Notes will be issued based on (i) the information set out in these "**General Terms and Conditions for Credit Linked Notes**", as amended from time to time (the "**General Terms and Conditions**") and (ii) the relevant final terms or, as the case may be, the final termsheet, of each Note (the "**Final Terms**"). The General Terms and Conditions and the relevant Final Terms shall form the entire documentation for each Note (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 Notes 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 Notes 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. The Notes 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 action relating to the Notes in such jurisdiction. The selling restrictions listed in the relevant Final Terms must not be taken as definitive guidance as to whether the Notes can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of the Notes may apply in other jurisdictions. Noteholders should seek specific advice before on-selling the Notes.

During the whole term of the Notes, the Product Documentation and a copy of the Settlement Matrix (including any supplements and/or additional provisions referred to in the Settlement Matrix) 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 ([swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)). In addition, for clients outside the United Kingdom, the Product Documentation and a copy of the Settlement Matrix (including any supplements and/or additional provisions referred to in the Settlement Matrix) are available on the internet at <http://www.ubs.com/keyinvest>.

## **II. Product Specific Terms and Conditions**

### **1. Interest**

#### **1.1 Interest Payments**

##### ***1.1.1 Single Name Credit Linked Notes***

Unless otherwise stated in the relevant Final Terms, each Note bears interest at the applicable Interest Rate on its Specified Denomination from and including the Issue Date to but excluding the Scheduled Maturity Date *provided* that no Credit Event has occurred prior to the Scheduled Maturity Date. If a Credit Event has occurred prior to the Scheduled Maturity Date, no interest will accrue, be calculated or be payable from the Scheduled Interest Payment Date immediately preceding the Credit Event or, as the case may be, the Issue Date. The Interest Amount in respect of each Note will be paid in arrear on each Scheduled Interest Payment Date (subject to section II. 1.2 (*Postponement of Interest Payments*)).

In no case shall interest accrue or be payable on the Notes for any time period on or after the Scheduled Maturity Date (including, without limitation, in the event of a redemption after the Scheduled Maturity Date in accordance with sections II. 2.2 (*Redemption following a Credit Event*) or II. 2.3 (*Postponement of Redemption or Postponement of Partial Redemption*)).

##### ***1.1.2 Basket Credit Linked Notes***

Unless otherwise stated in the relevant Final Terms, each Note bears interest at the applicable Interest Rate on its Outstanding Denomination from and including the Issue Date to but excluding the Scheduled Maturity Date. The Interest Amount in respect of each Note will be paid in arrear on each Scheduled Interest Payment Date (subject to II. 1.2 (*Postponement of Interest Payments*)).

In no case shall interest accrue or be payable on the Notes for any time period on or after the Scheduled Maturity Date (including, without limitation, in the event of a redemption after the Scheduled Maturity Date in accordance with sections II. 2.2 (*Redemption following a Credit Event*) or II. 2.3 (*Postponement of Redemption or Postponement of Partial Redemption*)).

#### **1.2 Postponement of Interest Payments**

##### ***1.2.1 Single Name Credit Linked Notes***

If a Potential Credit Event occurs in relation to the Reference Entity and is continuing on a Scheduled Interest Payment Date, the Issuer shall suspend the interest payment on such Scheduled Interest Payment Date until either a DC No Credit Event Announcement occurs, or the Calculation Agent otherwise determines that no Credit Event has occurred, with respect to the Potential Credit Event. On the fifth Business Day following such DC No Credit Event Announcement or, as the case may be, such Calculation Agent determination, or, if such DC No Credit Event Announcement or, as the case may be, such Calculation Agent determination, occurs after the Scheduled Maturity Date, on the applicable Redemption Date (as described in section II. 2.3.1 (*Single Name Credit Linked Notes*)) the Issuer shall pay to each Noteholder an amount per Note equal to the suspended interest payment(s). The Issuer is not obliged to pay any default interest or other amounts in respect of such suspension of interest payments and such suspension does not constitute an event of default in respect of the Issuer.

Notwithstanding anything to the contrary in this section II. 1.2.1 (*Postponement of Interest Payments – Single Name Credit Linked Notes*), if subsequent to the suspension described above, the Potential Credit Event results in a Credit Event, no payment of the suspended interest payment(s) shall be made by the Issuer and the Notes shall be redeemed in accordance with section II. 2.2 (*Redemption following a Credit Event*).

### **1.2.2 Basket Credit Linked Notes**

If a Potential Credit Event occurs in relation to a Reference Entity and is continuing on a Scheduled Interest Payment Date, the Interest Amount payable by the Issuer on such Scheduled Interest Payment Date shall be determined on the assumption that the Potential Credit Event constitutes a Credit Event in relation to such Reference Entity. If a DC No Credit Event Announcement occurs, or the Calculation Agent otherwise determines that no Credit Event has occurred, the Issuer shall, within 5 Business Days following such DC No Credit Event Announcement or, as the case may be, such Calculation Agent determination, or if such DC No Credit Event Announcement or, as the case may be, such Calculation Agent determination, occurs after the Scheduled Maturity Date, on the applicable Redemption Date, pay to each Noteholder an amount per Note equal to the difference between the Interest Amount paid and the Interest Amount which would have been payable in the absence of such Potential Credit Event (such difference, the "**Suspended Interest Amount**"). The Issuer is not obliged to pay any default interest or other amounts in respect of any such reduction and delay of interest payments and such reduction and delay does not constitute an event of default in respect of the Issuer.

Notwithstanding anything to the contrary in this section II. 1.2.2 (*Postponement of Interest Payments – Basket Credit Linked Notes*), if subsequent to the reduction described above, the Potential Credit Event results in a Credit Event, no payment of the Suspended Interest Amount shall be made by the Issuer and the Notes shall be redeemed in accordance with section II. 2.2 (*Redemption following a Credit Event*).

## **1.3 Other Interest-related Provisions**

### **1.3.1 Day Count Fraction and Business Day Convention**

#### **1.3.1.1 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 Scheduled Maturity Date and the Scheduled 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).

#### **1.3.1.2 Adjusted or Unadjusted 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 Notes), 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.

#### **1.3.2 Deduction of Interest**

If the Issuer has paid an Interest Amount (or, in the case of Basket Credit Linked Notes, has paid a portion of an Interest Amount) to the Noteholders that would not have been payable due to the occurrence of a Credit Event in respect of a Reference Entity before the relevant Scheduled Interest Payment Date (including in the case where the relevant Credit Derivatives Determinations Committee has Resolved that a Credit Event occurred on a date falling prior to any Scheduled Interest Payment Date), the Issuer shall deduct such Interest Amount (or, in the case of Basket Credit Linked Notes, the relevant portion of such Interest Amount) from the Redemption Amount and redeem the Notes at such lower amount on the applicable Redemption Date.

#### **1.3.3 Notes with Interest subject to a Reference Rate**

##### **1.3.3.1 Determination of the applicable Reference Rate**

If the relevant Final Terms specify that the Interest Rate in respect of an Interest Period is not fixed but depends on a Reference Rate, the Calculation Agent shall determine the relevant fixing of the applicable Reference Rate in accordance with its definition (see section IV. (*Definitions*)).

If the source specified in the definition of the relevant Reference 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 to Notes where the Underlying qualifies as a Benchmark*) below) has occurred, then the Calculation Agent shall attempt to obtain a fixing for the rate for deposits (or bills of exchange in the case of "AUD-BBSW" or "AUD-BBR-BBSW"), in the relevant currency for a period of the Designated Maturity and in such amount as the Calculation Agent shall determine 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 Reference Rate); or

- (b) on the basis of quotations 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 Reference Rate shall be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) 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 Reference Rate shall be determined by the Calculation Agent in its discretion.

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

#### *1.3.3.2 Interpolation of Reference Rate*

If the Notes are subject to a Reference Rate and the relevant Interest Period 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 Reference Rate for such Interest Period shall be determined by linear interpolation of (a) the applicable Reference Rate corresponding to the Designated Maturity for which the applicable Reference Rate is typically quoted and which is next shorter than the Interest Period and (b) the applicable Reference Rate corresponding to the Designated Maturity for which the applicable Reference Rate is typically quoted and which is next longer than the Interest Period.

#### **1.3.4 Notification of Interest Rate, Interest Amount and Scheduled Interest Payment Date**

The Calculation Agent will notify the Noteholders of each Interest Rate, Interest Amount and Scheduled Interest Payment Date as soon as reasonably practicable after the determination thereof. Each Interest Rate, Interest Amount and Scheduled Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements by way of adjustment may be made) without notice to the Noteholders if such amendment is made due to (a) an extension or shortening of the Interest Period; (b) an error; or (c) the occurrence of a Credit Event or Potential Credit Event.

#### **1.3.5 Default Interest**

If the Issuer for any reason (other than due to the occurrence of a Settlement Disruption Event pursuant to section III. 7 (*Settlement Disruption Event*)) fails to render any payment in respect of the Notes when due, interest shall continue to accrue at the default rate established by statutory law on the due amount from and including the due date to but excluding the day on which such payment is received by or on behalf of the relevant Noteholders.



## 2 Redemption

### 2.1 Scheduled Redemption

#### 2.1.1 *Single Name Credit Linked Notes*

Subject to section II. 2.2 (*Redemption following a Credit Event*), section II. 2.3 (*Postponement of Redemption or Postponement of Partial Redemption*) and section II. 2.5 (*Early Redemption*), each Note shall be redeemed by the Issuer at its Specified Denomination on the Scheduled Maturity Date.

#### 2.1.2 *Basket Credit Linked Notes*

Subject to section II. 2.2 (*Redemption following a Credit Event*), section II. 2.3 (*Postponement of Redemption or Postponement of Partial Redemption*) and section II. 2.5 (*Early Redemption*), each Note shall be redeemed by the Issuer on the Scheduled Maturity Date at its Outstanding Denomination as of such Scheduled Maturity Date.

### 2.2 Redemption following a Credit Event

#### 2.2.1 *Credit Event*

If a Credit Event occurs in respect of a Reference Entity during the Reference Period, the Notes shall be redeemed or, as the case may be, partially redeemed pursuant to and in accordance with this section II. 2.2. In case of such redemption or partial redemption, as the case may be, the Issuer will (in the case of a Credit Event falling within paragraph (a) below) give a Credit Event Notice to the Noteholders as soon as reasonably practicable after the determination that a Credit Event with respect to the relevant Reference Entity has occurred.

An event in respect of a Reference Entity constitutes a Credit Event if either

- (a) a DC Credit Event Announcement has occurred with respect to such event; or
- (b) the Calculation Agent has reasonably determined that such event constitutes a Credit Event *and* the Issuer has given a Credit Event Notice to the Noteholders, provided that prior to the Issuer giving a Credit Event Notice to Noteholders, (i) a DC Credit Event Question Dismissal has occurred with respect to such Reference Entity or (ii) a DC Credit Event Question Dismissal has not occurred and there has been neither a DC Credit Event Announcement nor a DC No Credit Event Announcement with respect to such Reference Entity.

Any delay in giving a Credit Event Notice, non-receipt of a Credit Event Notice or (in the case of paragraph (a) above) failure to give a Credit Event Notice, shall not affect the redemption or, as the case may be, partial redemption of the Notes pursuant to this section II. 2.2 (*Redemption following a Credit Event*).

If such event is solely an M(M)R Restructuring and a DC Credit Event Announcement has occurred with respect to such event according to para. (a) above, it shall only constitute a Credit Event if the Issuer has given a Credit Event Notice to the Noteholders, *provided* that if the relevant Credit Derivatives Determinations Committee has Resolved that an Auction will be held with respect to the relevant Reference Entity, the Credit Event Notice must be sent prior to the date on which the Auction Final Price is determined.

For the avoidance of doubt, if a DC No Credit Event Announcement occurs, such DC No Credit Event Announcement shall be binding on the Calculation Agent (except where an Auction Final Price has already been determined or a Valuation Date or Physical Redemption Date has already occurred in respect of such Credit Event).

## **2.2.2 Cash Redemption**

### *2.2.2.1 Single Name Credit Linked Notes*

Following the occurrence of a Credit Event in respect of the Reference Entity during the Reference Period, the Issuer shall redeem each Note at the applicable Redemption Amount on the Redemption Date, each as specified in the relevant Final Terms. The Issuer shall, following the determination of the Redemption Amount and at least two Business Days prior to the Redemption Date, send a notice in writing (the "**Redemption Notice**") to the Noteholders specifying the Redemption Amount and the corresponding Redemption Date (*provided* that any failure to give such notice, or non-receipt thereof, shall not affect the right of the Issuer to redeem the Notes pursuant to this section II. 2.2.2 (*Cash Redemption*)).

### *2.2.2.2 Basket Credit Linked Notes*

Following the occurrence of a Credit Event in respect of a Reference Entity during the Reference Period, the Issuer shall partially redeem each Note at the applicable Partial Redemption Amount on the corresponding Redemption Date, each as specified in the relevant Final Terms, and the Outstanding Denomination of each Note shall be reduced in accordance with its definition. The Issuer shall, following the determination of the Partial Redemption Amount and at least two Business Days prior to the Redemption Date, send a notice in writing (the "**Redemption Notice**") to the Noteholders specifying the Partial Redemption Amount and the corresponding Redemption Date (*provided* that any failure to give such notice, or non-receipt thereof, shall not affect the right of the Issuer to redeem the Notes pursuant to this section II. 2.2.2 (*Cash Redemption*)).

## **2.2.3 Physical Redemption**

Notwithstanding section II. 2.2.2 (*Cash Redemption*) above, if (a) following a public announcement by the DC Secretary, the Calculation Agent determines that no Auction will be held to determine an Auction Final Price in respect of a Credit Event and Reference Entity or (b) no Auction Final Price is determined by ISDA in respect of the Reference Entity and Credit Event on or prior to the day falling 150 calendar days following (A) the occurrence of a DC Credit Event Announcement with respect to such Credit Event, or (B) if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred with respect to such Credit Event, the date the Issuer gave a Credit Event Notice to the Noteholders, the Issuer has, in lieu of redeeming or partially redeeming the Notes in accordance with section II. 2.2.2 (*Cash Redemption*), the right (but not the obligation) to redeem or partially redeem the Notes by physical delivery of Selected Deliverable Obligations and/or cash. In this case, the Issuer shall determine the composition of the Portfolio (net of any Breakage Costs) and shall, on the Physical Redemption Date, deliver to each Noteholder its *pro rata* share of the Portfolio. In order to redeem or partially redeem the Notes by such physical delivery, the Issuer shall give at least 5 Business Days' prior notice (the "**Notice of Physical Settlement**") to the Noteholders of the following:

- (i) the Physical Redemption Date;
- (ii) a detailed description of each of the Selected Deliverable Obligations and/or cash that will constitute the Portfolio;
- (iii) the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency (in each case, the "**Outstanding Amount**") of the Selected Deliverable Obligations that are to be delivered (and, if different, the face amount of each such Selected Deliverable Obligation) and the CUSIP or ISIN number of each of them if available (if such identifier is not available, the rate and tenor of the obligation and/or such other details that are commonly used to settle a transfer of the obligation in question); and

- (iv) the method by which the Noteholders must provide their settlement instructions to the Issuer.

The Issuer may give subsequent Notices of Physical Settlement to change the Physical Redemption Date and/or the constituents of the Portfolio and/or the description of the obligations at any time by giving a new Notice of Physical Settlement to the Noteholders at least 2 Business Days before the (restated) Physical Redemption Date and the last Notice of Physical Settlement given shall override all previous such notices. The Issuer may correct any errors or inconsistencies in the description of the Selected Deliverable Obligations by notice to the Noteholders prior to the Physical Redemption Date.

If required by the relevant Clearing System, the Noteholders shall notify the Issuer as soon as possible after receipt of the Notice of Physical Settlement of their instructions for settlement. If a Noteholder fails to notify the Issuer, as applicable, of its settlement instructions, the Issuer shall not be obliged to deliver the relevant assets until 5 Business Days following the receipt of the relevant Noteholder's settlement instructions.

In relation to redemption pursuant to this section II. 2.2.3 (*Physical Redemption*) or otherwise, references to "deliver" with respect to any obligation or asset means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Selected Deliverable Obligations specified in the Notice of Physical Settlement or any amended Notice of Physical Settlement, as applicable, free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in items (a) to (d) of the definition of Credit Event) or right of set-off by or of the relevant Reference Entity or any applicable Underlying Obligor); provided that (i) if a Deliverable Obligation is a Direct Loan Participation, "**deliver**" means to create (or procure the creation of) a participation in the relevant Loan and (ii) if a Deliverable Obligation is a Guarantee, "**deliver**" means to deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, "deliver" means to deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. In relation to redemption pursuant to this section II. 2.2.3 (*Physical Redemption*) or otherwise "**delivery**" and "**delivered**" will be construed accordingly with respect to any obligation or asset.

In the case of a Loan, delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for delivery of such Loan at that time, provided further that the provisions of any documentation (which shall include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for delivery of such Loan at that time shall be complied with, as such documentation may be amended to the extent the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the delivery and payment obligations hereunder. Compliance with the provisions of any such documentation shall be required for, and, without further action, constitute, delivery for purposes of this section II. 2.2.3 (*Physical Redemption*) (to the extent that such documentation contains provisions describing how delivery should be effected).

If Asset Package Delivery applies, (i) delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or any amended Notice of Physical Settlement, as applicable, may be satisfied by delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) the construction of the expression "**delivery**" set out above shall be deemed to apply to each Asset in the Asset Package provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been delivered in full three Business Days following the date on which the detailed description of the Asset Package is notified in accordance with this section II. 2.2.3 (*Physical Redemption*), (iv) delivery of the Prior

Deliverable Obligation or Package Observable Bond may be satisfied in part by delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value.

"**Asset Package Delivery**" will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to the Credit Linkage Start Date determined in respect of the relevant Credit Event, or (ii) if the relevant Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event.

As used above:

"**Non-Transferable Instrument**" means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

"**Non-Financial Instrument**" means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

"**Asset Market Value**" means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

Notwithstanding anything to the contrary in this section II. 2.2.3, the Issuer may decide to redeem the Notes in accordance with section II. 2.2.2 (*Cash Redemption*) even after a Notice of Physical Settlement has been sent to the Noteholders by delivery of a notice to Noteholders overriding the Notice of Physical Settlement (in which case the Valuation Date shall be a date chosen by the Issuer in the period from (and including) the date of such notice to (and including) the 10<sup>th</sup> Business Day following such date).

## **2.3 Postponement of Redemption or Postponement of Partial Redemption**

### **2.3.1 Single Name Credit Linked Notes**

If the Calculation Agent determines that

- (a) if "Grace Period Extension" is applicable pursuant to the Settlement Matrix and Transaction Type of the Reference Entity, a Potential Failure to Pay has occurred with respect to the Reference Entity and is continuing on the Scheduled Maturity Date (but no Credit Event has occurred on or prior to the Scheduled Maturity Date);
- (b) if "Repudiation/Moratorium" is specified as a Credit Event in the Settlement Matrix applicable to the Transaction Type of the Reference Entity, a Potential Repudiation/Moratorium has occurred with respect to the Reference Entity and is continuing on the Scheduled Maturity Date (but no Credit Event has occurred on or prior to the Scheduled Maturity Date); or
- (c) a Potential Credit Event has occurred with respect to the Reference Entity on or before the Scheduled Maturity Date,

the Issuer may elect to postpone the redemption of the Notes, in which case the Issuer shall give notice in writing to the Noteholders of its election of such postponement on or as soon as reasonably practicable after the Scheduled Maturity Date (provided that any failure to give such notice or delay in giving such notice, or non-receipt thereof, shall not affect the right of the Issuer to postpone the redemption of the Notes pursuant to this section II. 2.3). The Issuer is not obliged to pay any default interest or other amounts due to any such postponement and such postponement does not constitute an event of default in respect of the Issuer.

If subsequent to the postponement of the redemption of the Notes (but before an Auction Final Price has been determined or any Valuation Date or Physical Redemption Date has occurred in respect of the Notes) a DC No Credit Event Announcement has occurred, or the Calculation Agent otherwise determines that no Credit Event has occurred during the relevant Reference Period, with respect to the Reference Entity, the Issuer shall redeem each Note at its Specified Denomination on the applicable Redemption Date specified in the relevant Final Terms (or, if no Redemption Date is specified, five Business Days following such DC No Credit Event Announcement or, as the case may be, such Calculation Agent determination), together with the Interest Amount that would have been due on the Scheduled Maturity Date but has been suspended pursuant to and in accordance with section II. 1.2.1 (*Single Name Credit Linked Notes*). The Issuer is not obliged to pay any default interest or other amounts due to any such delay and such delay does not constitute an event of default in respect of the Issuer.

If subsequent to the postponement of the redemption of the Notes the Potential Failure to Pay, Potential Repudiation/Moratorium or Potential Credit Event results in a Credit Event, the Notes shall be redeemed in accordance with section II. 2.2 (*Redemption following a Credit Event*) at the applicable Redemption Amount on the Redemption Date, each as specified in the relevant Final Terms (or, if no Redemption Date is specified, 5 Business Days following the determination of the Final Price and the Redemption Amount).

### **2.3.2 Basket Credit Linked Notes**

If the Calculation Agent determines that

- (a) if "Grace Period Extension" is applicable pursuant to the Settlement Matrix and the Transaction Type of the Reference Entity, a Potential Failure to Pay has occurred with respect to a Reference Entity and is continuing on the Scheduled Maturity Date (but no Credit Event has occurred on or prior to the Scheduled Maturity Date);
- (b) if "Repudiation/Moratorium" is specified as a Credit Event in the Settlement Matrix applicable to the Transaction Type of the Reference Entity, a Potential Repudiation/Moratorium has occurred with respect to a Reference Entity and is continuing on the Scheduled Maturity Date (but no Credit Event has occurred on or prior to the Scheduled Maturity Date); or
- (c) a Potential Credit Event has occurred with respect to a Reference Entity on or before the Scheduled Maturity Date,

the Calculation Agent shall determine the Outstanding Denomination in respect of each Note on the assumption that such Reference Entity is subject to a Credit Event and the Issuer shall, on the Scheduled Maturity Date, partially redeem each Note at such Outstanding Denomination.

If subsequent to the partial redemption of the Notes a DC No Credit Event Announcement relating to the Potential Failure to Pay, Potential Repudiation/Moratorium or Potential Credit Event has occurred, or the Calculation Agent otherwise determines that no Credit Event has occurred during the relevant Reference Period, with respect to the relevant Reference Entity, the Calculation Agent shall calculate the difference between

- (i) the Redemption Amount per Note that would have been payable on the Scheduled Maturity Date if the Reference Entity in respect of which the Potential Failure to Pay, the Potential Repudiation/Moratorium or the Potential Credit Event, as applicable, has occurred, was not subject to a Credit Event; and
- (ii) the Outstanding Denomination that has been paid on the Scheduled Maturity Date,

and the Issuer shall, on the Redemption Date specified in the relevant Final Terms (or, if no Redemption Date is specified, 5 Business Days following the occurrence of a DC No Credit Event Announcement **or, as the case may be, such Calculation Agent determination** (provided that an Auction Final Price has not been determined and

a Valuation Date or Physical Redemption Date has not occurred)), pay in respect of each Note an amount equal to such difference together with the Suspended Interest Amount pursuant to section II 1.2.2 (*Basket Credit Linked Notes*). The Issuer is not obliged to pay any default interest or other amounts due to any such delay and such delay does not constitute an event of default in respect of the Issuer.

If subsequent to the partial redemption of the Notes the Potential Failure to Pay, Potential Repudiation/Moratorium or Potential Credit Event results in a Credit Event, section II. 2.2 (*Redemption following a Credit Event*) shall apply with respect to the amount relating to the Reference Entity in respect of which such Credit Event occurred.

## **2.4 Determination of Final Price**

Unless a fixed percentage is specified as Final Price in the relevant Final Terms, in which case the Redemption Amount or Partial Redemption Amount, as applicable, shall be determined by reference to such fixed percentage number, the Calculation Agent shall determine the Final Price to be used to determine the Redemption Amount or Partial Redemption Amount, as applicable, in accordance with this section II. 2.4.

### **2.4.1 Determination of the Final Price by Reference to the Auction Final Price determined by ISDA**

Following the occurrence of a Credit Event, and the relevant Credit Derivatives Determinations Committee Resolving that an Auction is to be held, ISDA generally determines a "Final Price" (expressed as a percentage) applicable to credit derivatives transactions referencing the Reference Entity which is subject to the relevant Credit Event (the "**Auction Final Price**"). The Auction Final Price is determined in an auction process where bid (and offer) prices in respect of certain obligations of such Reference Entity are requested from market participants as further outlined on ISDA's website <http://www.isda.org> (or any successor website thereto). A list (the "**Final List**") of the obligations subject to such auction will be published by ISDA prior to the auction. In principle, any obligation which fulfills certain criteria specified as "Deliverable Obligation Category" and "Deliverable Obligation Characteristics" set out in the Settlement Matrix for the Transaction Type applicable to the Reference Entity (including, where applicable, that it is not subordinated to the Reference Obligation or, if no Reference Obligation is specified, not subordinated to any other senior unsecured obligation), may be listed in the Final List and therefore the Final Price may represent the market value of the cheapest obligation in the Final List. However, no assurance can be given that the selected obligations in the Final List will indeed fulfill all those criteria specified by the "Deliverable Obligation Category" and "Deliverable Obligation Characteristics" set out in the Settlement Matrix for the Transaction Type applicable to the Reference Entity (or that obligations on the Final List would otherwise be Deliverable Obligations for the purposes of the Notes).

The Auction Final Price is expressed as a percentage and generally published on <http://creditfixings.com/CreditEventAuctions>. Unless otherwise stated in the Final Terms, if ISDA determines more than one Final Price (because M(M)R Restructuring was the only Credit Event) for different maturity buckets, the Calculation Agent shall use the Final Price of the longest maturity bucket to determine the Redemption Amount.

The Calculation Agent may use the Auction Final Price notwithstanding the fact that the Settlement Matrix does not specify any requirements as to maturity limitation or transferability of the Deliverable Obligations.

### **2.4.2 Fallback Determination of the Final Price**

In the event that (a) following a public announcement by the DC Secretary, the Calculation Agent determines that no Auction will be held to determine an Auction Final Price in respect of a Credit Event and Reference Entity or (b) no Auction Final Price is determined by ISDA in respect of the Reference Entity and Credit Event on or prior to the day falling 150 calendar days following (A) the occurrence of a DC Credit Event Announcement with respect to such Credit Event, or (B) if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred with respect to such Credit Event, the date the Issuer gave a Credit Event Notice to the Noteholders, the

Final Price shall be determined by the Calculation Agent in accordance with the following (such Final Price, the "**Valuation Final Price**"):

- (i) The Issuer shall select obligations (each such obligation, a "**Selected Deliverable Obligation**") of the Reference Entity which the Calculation Agent determines are Deliverable Obligations.

Deliverable Obligations are obligations which fulfil the "Deliverable Obligation Category" and "Deliverable Obligation Characteristics" as specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, all as more particularly described in the definition of "Deliverable Obligation" in section IV (*Definitions*).

If Asset Package Delivery applies, obligations selected as Selected Deliverable Obligations for the purposes of determining the Valuation Final Price may include any obligation which would be permitted to be delivered in satisfaction of the delivery of a Prior Deliverable Obligation or a Package Observable Bond (in each case, as determined in the sole and absolute discretion of the Calculation Agent) if the Notes were to be redeemed by physical delivery pursuant to section II. 2.2.3 (*Physical Redemption*).

- (ii) On the Valuation Date, the Calculation Agent shall attempt to obtain firm bid quotations for each Selected Deliverable Obligation from at least five Dealers (except that if Asset Package Delivery applies and a Selected Deliverable Obligation comprises any Asset which is a Non-Transferable Instrument or a Non-Financial Instrument then the Calculation Agent will not be required to attempt firm bid quotations for such Selected Deliverable Obligation and the relevant Asset Market Value (expressed as a percentage of the Asset's Outstanding Principal Balance or Due and Payable Amount, as applicable) shall be deemed to be the highest Quotation for the purpose of the determination of the Valuation Final Price). The amount (as determined in the manner set out in this section II. 2.4.2 below) in respect of each Selected Deliverable Obligation for which a firm bid is requested (such amount, the "**Quotation Amount**") shall be selected by the Calculation Agent in its discretion such that the aggregate Quotation Amount of all Selected Deliverable Obligations does not exceed the aggregate principal amount of the outstanding Notes (*multiplied by* the Entity Weighting of the affected Reference Entity in case of Basket Credit Linked Notes). The bid quotations shall exclude accrued but unpaid interest.
- (iii) With respect to each Selected Deliverable Obligation for which not at least one Full Quotation or Weighted Average Quotation (each a "**Quotation**") can be obtained on the Valuation Date, the Calculation Agent shall attempt to obtain Full Quotations from at least five Dealers on the 5<sup>th</sup> Business Day following the Valuation Date (and, if necessary, another 5 Business Days thereafter). For purposes of this paragraph, any day falling within the period from and including 20 December of a calendar year to and including 5 January of the following calendar year shall not be regarded as a Business Day.
- (iv) For each Selected Deliverable Obligation, for which the Calculation Agent is unable to obtain at least one Full Quotation or Weighted Average Quotation in accordance with the methodology described in (i) to (iii) above, the Quotation shall be deemed to be zero.
- (v) As soon as the valuation process according to (i) to (iv) above has been completed, the Calculation Agent shall determine the Valuation Final Price which shall be equal to the weighted average of the highest Quotation of each Selected Deliverable Obligation (which may, in case of (iv) above, be zero with respect to certain Selected Deliverable Obligations). For this purpose, each such highest Quotation shall be weighted with the relevant Quotation Amount.

The Quotation shall be a percentage of the Selected Deliverable Obligation's Outstanding Principal Balance or Due and Payable Amount, as applicable, and "Quotation Amount" shall refer to the Selected Deliverable Obligation's Outstanding Principal Balance or Due and Payable Amount, as applicable, unless in the sole and absolute discretion of

the Calculation Agent, such amount would not result in a commercially reasonable determination, in which case the Quotation Amount will be determined by the Calculation Agent in its sole and absolute discretion.

## **2.5 Early Redemption**

If (i) an Early Redemption Event as specified in the relevant Final Terms occurs or (ii) in case of a Benchmark Early Redemption Event as set out in section III. 5 of these General Terms and Conditions and provided that adjustments pursuant to section III. 5 of these General Terms and Conditions are not possible or not justifiable with regard to the Issuer and/or the Noteholders, the Issuer may redeem each Note at its Early Redemption Amount (in each case together with any accrued interest in the case of interest bearing Notes), by giving a notice to the Noteholders.

If the Issuer chooses to redeem the Notes in accordance with this provision, the Issuer shall redeem the Notes in whole (but not in part) 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 Note to the Noteholders 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 Noteholder 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 Noteholders.

## **2.6 Redemption following a Noteholder Merger Event**

Save as otherwise provided in the relevant Final Terms, in the event that the Issuer becomes aware that (a) a Noteholder becomes a Successor to any Reference Entity as a result of the application of the provisions of these General Terms and Conditions, (b) a Noteholder and any Reference Entity become Affiliates or (c) a Noteholder or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets to, a Reference Entity or a Noteholder (as applicable), then the Issuer may, but shall not be obliged to, on giving not more than 30 nor less than 15 days' notice to Noteholders (the "**Seller Merger Notice**"), redeem all but not some of the Notes held by the relevant Noteholder at the Early Redemption Amount specified in the Seller Merger Notice.



### 3 Succession and Substitution Events

#### 3.1 General

If the Calculation Agent becomes aware of the occurrence of a succession (a "**Succession Event**" or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the relevant Reference Entity can be determined, the Issuer shall give a notice (a "**Successor Notice**") describing the same to the Noteholders. A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to paragraph (a) of the definition of Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors under paragraph (a) of the definition of Successor; *provided* that the Calculation Agent will not make such determination if, at the time of determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations. The Calculation Agent will make all calculations and determinations required to be made under the definition of Successor on the basis of Eligible Information. In calculating the percentages used to determine whether an entity qualifies as a Successor under paragraph (a) of the definition of Successor, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Subsequently, the Calculation Agent shall (a) replace the affected Reference Entity by such Successor(s) and (b) if necessary and applicable, determine in its discretion the Transaction Type and, if a Non-Standard Reference Obligation was specified with respect to the affected Reference Entity, a Non-Standard Reference Obligation having the same Seniority Level applicable to the relevant Successor Reference Entity. Such replacement shall be effective as of the relevant Succession Date.

#### 3.2 Multiple Successors

##### 3.2.1 Single Name Credit Linked Notes

Where, pursuant to sub-section (iii), (iv) or (vi) of paragraph (a) of the definition of "Successor", more than one Successor has been identified, the terms of the Notes will, without the consent of Noteholders, be deemed to be amended as follows: Each Note shall be deemed to be split into  $n$  notes where  $n$  is the number of identified Successors such that

- (a) each such note shall reference one Successor and the Specified Denomination of each such note is equal to the original Specified Denomination of the Notes *divided by*  $n$ ;
- (b) with regard to each such note, the Transaction Type and, if a Non-Standard Reference Obligation was specified with respect to the affected Reference Entity, a Non-Standard Reference Obligation having the same Seniority Level shall be determined by the Calculation Agent in its discretion;
- (c) a Credit Event may occur in relation to each Successor; and
- (d) all other terms of the original Notes shall apply *mutatis mutandis* to each of such note.

### **3.2.2 Basket Credit Linked Notes**

Where, pursuant to sub-section (iii), (iv or (vi) of paragraph (a) of the definition of "Successor", more than one Successor has been identified, the Notes shall reference each such Successor and the Entity Weighting in respect of each Successor shall be equal to the original Entity Weighting of the Reference Entity for which more than one Successor has been identified *divided by n* where *n* is the number of identified Successors. In addition, the Calculation Agent shall, with regard to each Successor, determine the Transaction Type and, if a Non-Standard Reference Obligation was specified with respect to the affected Reference Entity, a Non-Standard Reference Obligation having the same Seniority Level in its discretion.

### **3.3 Substitution Events with respect to a Non-Standard Reference Obligation**

If, in the opinion of the Calculation Agent (i) the Non-Standard Reference Obligation is redeemed in whole or (ii) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD 10,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent) or (iii) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of a Reference Entity either directly or as a provider of a guarantee (each a "**Substitution Event**") the Calculation Agent may identify the Substitute Reference Obligation in accordance with the definition of the Substitute Reference Obligation. For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN or other similar identifier will not, in and of itself, convert such Obligation into a different Obligation.

## 4 Restructuring and Multiple Credit Event Notices

### 4.1 Single Name Credit Linked Notes

The Issuer may give multiple Credit Event Notices with respect to any M(M)R Restructuring, each such Credit Event Notice setting forth the portion of the outstanding nominal amount of the Notes to which such Credit Event Notice applies (the "**Exercise Amount**") provided that if the Credit Event Notice does not specify an Exercise Amount, then the outstanding nominal amount of the Notes (such amount, the "**Maximum Exercise Amount**") will be deemed to have been specified as the Exercise Amount.

If the Issuer has delivered a Credit Event Notice that specifies an Exercise Amount that is less than the Maximum Exercise Amount, the conditions shall, with effect from the date such Credit Event Notice is effective, be construed as if the Notes comprised two series of Notes: (a) one which has an aggregate principal amount equal to the Exercise Amount and with respect to which the Credit Event Notice shall be deemed to be given; and (b) one which has an aggregate principal amount equal to the outstanding principal amount of the Notes prior to such Credit Event Notice minus the Exercise Amount and which will continue to be in effect (and which shall not be deemed to be subject to the Credit Event Notice).

If the Issuer has delivered a Credit Event Notice that specifies the Maximum Exercise Amount, the Notes shall be redeemed in accordance with section II. 2.2 (*Redemption following a Credit Event*).

### 4.2 Basket Credit Linked Notes

The Issuer may give multiple Credit Event Notices with respect to any M(M)R Restructuring, each such Credit Event Notice setting forth the portion of the Entity Weighting of the Reference Entity to which such Credit Event Notice applies (the "**Exercise Portion**") provided that if the Credit Event Notice does not specify an Exercise Portion, then 100 per cent. of the Entity Weighting of the affected Reference Entity (such portion, the "**Maximum Exercise Portion**") will be deemed to have been specified as the Exercise Portion.

If the Issuer has delivered a Credit Event Notice that specifies an Exercise Portion that is less than the Maximum Exercise Portion, the Notes shall be deemed to reference the relevant Reference Entity twice: (a) once with a weight equal to the original Entity Weighting of the affected Reference Entity multiplied by the Exercise Portion (the "**Affected Weight**") and the Credit Event Notice shall be deemed to be given in respect of this Reference Entity and Affected Weight only; and (b) once with a weight equal to the original Entity Weighting *less* the Affected Weight (and the Reference Entity in respect of this resulting Entity Weighting shall not be deemed to be subject to the Credit Event Notice). Consequently, the partial redemption shall occur only in respect of the Affected Weight.

If the Issuer has delivered a Credit Event Notice that specifies the Maximum Exercise Portion, the Notes shall be partially redeemed in accordance with section II. 2.2 (*Redemption following a Credit Event*).

## **5 Application of Settlement Matrix**

If the Final Terms identify a "Transaction Type" that is included in the Settlement Matrix, the terms set out in the Settlement Matrix with respect to such "Transaction Type" shall *mutatis mutandis* be deemed to apply to the Notes except to the extent otherwise specified in the relevant Final Terms.

### **III. General Terms and Conditions**

#### **1 Form of Securities**

The Notes 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 Notes are intermediated securities, the Notes may only be transferred and otherwise disposed of in accordance with the provisions of the FISA (*i.e.* by entry of the transferred Notes in a securities account of the transferee) and the holders of the Notes will be the persons holding the Notes in a securities account in their own name and for their own account.

The Noteholders 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 Notes.

No physical delivery of any Notes shall be made unless and until such Notes have been printed. In case of Notes in the form of uncertificated securities registered with SIX SIS or any other clearing system, such Notes may only be printed (in whole but not in part) if that clearing system goes out of business without a successor. In case of Notes issued in the form of bearer notes, such Notes 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 Notes / Classification**

Unless otherwise stated in the relevant Final Terms, the obligations under the Notes 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 Notes do not represent a participation in any of the collective investment schemes pursuant to article 7 ss of the CISA and thus are not subject to the supervision of the FINMA. Therefore, Noteholders are not eligible for the specific investor protection under the CISA. Furthermore, the Notes 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 Notes.

#### **3 Payments**

##### **3.1 Payment of Principal**

Payments of principal in respect of the Notes 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 SIX SIS, whereas the reference to "principal" shall include, as applicable, the Redemption Amount or the Early Redemption Amount of the Notes and any premium and any other amounts which may be payable under or in respect of the Notes.

### **3.2 Payment of Interest**

Payments of interest on Notes 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 SIX SIS.

### **3.3 Discharge**

The Issuer shall be discharged by payment to, or to the order of, the Clearing System or the relevant intermediary.

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

If a date set out in the Final Terms (including, without limitation, the Scheduled Maturity Date and each Scheduled Interest Payment Date) falls on a day which is not a Business Day then (unless otherwise specified and subject to section II. 1.3.1 (*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 to Notes 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 Notes (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 Noteholders 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.1.3.3.1 (*Determination of the applicable*

*Reference Rate*) to implement any alternative method for determining the Alternative Benchmark as described in paragraph (1)(iii) above, such definitions and section II.1.3.3.1 (*Determination of the applicable Reference 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 Reference 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 Notes pursuant to those provisions would not achieve a commercially reasonable result (each a "**Benchmark Early Redemption Event**"), the Issuer may early redeem the Notes as set out in section II,2.5 (*Early Redemption*).

## 6 Price Source Disruption Event

In case a rate, quote, price or other information from a source that is required to make a determination in respect of the Notes is not observable due to the fact that one or more source(s) are 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.1.3.3.1 (*Determination of the applicable Reference 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 Notes 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 20<sup>th</sup> 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 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 Notes changes, the Notes 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.1.3.3.1 (*Determination of the applicable Reference 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.

## **7 Settlement Disruption Event**

If the Issuer or the Paying Agent reasonably determines that a Settlement Disruption Event has occurred and is continuing on a date on which a payment or delivery is due, such date shall be postponed to the first Business Day following the day on which the Settlement Disruption Event ceases to continue. For the avoidance of doubt, any such postponement of payment or delivery due to a Settlement Disruption Event shall not constitute a default by the Issuer and the Noteholders shall not be entitled to any additional payment, whether of interest or otherwise, on the Notes 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 Notes in such way as it is reasonably practicable in lieu of the scheduled settlement.

Upon the occurrence of a Settlement Disruption Event, the Paying Agent shall give a notice to the Noteholders stating that a Settlement Disruption Event has occurred and providing details thereof. Failure of the Paying Agent to provide the Noteholders 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 Noteholders and the Issuer. The Noteholders 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 Notes, 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 Notes.

## **9 Taxation**

Each Noteholder 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 Noteholder in any jurisdiction or by any governmental or regulatory authority. The Issuer and the Calculation Agent are not obliged to gross up any payments in respect of the Notes and shall have the right, but not the obligation, to withhold or deduct from any amounts payable to the Noteholders 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 Noteholder shall promptly reimburse the Issuer.

Noteholders 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 Notes).

## 10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, any Noteholder may by written notice to the Issuer declare the Notes held by such Noteholder to be forthwith due and payable, whereupon the Early Redemption Amount of such Note 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 days in the payment of any principal or interest due in respect of the Notes;  
or
- (b) any order is made by any competent court or other 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 is generally unable or 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 Notes 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

**Calculation Agent:**

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

or

UBS Switzerland AG  
Bahnhofstrasse 45  
CH-8001 Zurich

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

or

UBS AG, acting through UBS AG,  
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 or other applicable rules (if any) and (b) so long as the Notes 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 Noteholders.

## **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 Noteholder.

## **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 Noteholders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Noteholder at any time, substitute for itself as the principal debtor in respect of the Notes (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 Noteholders under or in relation to the Notes 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 Notes 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 Noteholder 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 including that the relevant jurisdiction according to section III. 19 (*Governing Law and Jurisdiction*) shall be the jurisdiction of incorporation of the Substitute Debtor.

Any substitution shall as soon as reasonably possible be notified to the Noteholders and, if applicable, to the Relevant Stock Exchange and/or the rules of 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 suffered by individual Noteholders as a result of the exercise of such right and, accordingly, no Noteholder 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 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 Paying Agent and the Noteholders.

None of the Calculation Agent, the Issuer or the Paying 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 Notes, whether caused by negligence or otherwise (other than gross negligence or wilful misconduct). Further, the Noteholders 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 a Reference Entity, Reference Obligation (if any), Reference Rate (if any) or other interest component.

For the purposes of any calculations required pursuant to the relevant Final Terms or these General Terms and Conditions, (unless otherwise specified), (x) 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), (y) 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 (z) 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 the case of yen, which

shall be rounded down to the nearest yen. 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 Notes by the Issuer**

The Issuer may from time to time without the consent of the Noteholders create or issue further tranches of notes, which shall be fungible with the Notes (*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 Scheduled Interest Payment Date (if applicable))) so as to be consolidated and form a single series with such Notes, and references to "Notes" shall be construed accordingly. The further tranche of notes may have a Security Number which is different from the Security Number for the Notes.

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

All Notes 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 Noteholders in accordance with this section III. 17.

### **17.2 Notices to the Noteholders**

Unless otherwise stated in the relevant Final Terms, all notices in connection with the Notes shall be validly given by way of publication on the website of the Issuer at <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 Noteholders 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 Noteholders, provided that, so long as any Notes are listed on the Relevant Stock Exchange, the rules of the Relevant Stock Exchange do not prohibit such form of notice. Any such notice shall be deemed to have been given to the Noteholders 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 Noteholders 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 such that, in the absence of such correction, the relevant Final Terms or these General Terms and Conditions would not otherwise represent the intended terms of the Notes on which the Notes were sold and have since traded; or
- (f) will not materially and adversely affect the interests of the Noteholders.

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 Noteholders, and shall be notified to the Noteholders (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 Notes shall be subject to, governed by and construed in accordance with **Swiss law**.

The exclusive place of jurisdiction for all disputes affecting the Notes 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 Notes, if printed, and their subsequent replacement.

#### IV. Definitions

For the purposes of these definitions, words denoting the singular number only shall include the plural number also and vice versa.

**"Accelerated or Matured"** means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws.

**"Accrued Interest"** means, with respect to an obligation, any accrued but unpaid interest thereon (as the Calculation Agent shall determine in its sole and absolute discretion). The Outstanding Principal Balance of any Selected Deliverable Obligations being delivered or valued in accordance with section II. 2 (*Redemption*) will exclude accrued but unpaid interest, unless otherwise specified in the relevant Final Terms.

**"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 Noteholders as a result of the replacement of the Existing Benchmark with such Alternative Benchmark.

**"Affected Weight"** has the meaning ascribed to it in section II. 4 (*Restructuring and Multiple Credit Event Notices*).

**"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.

**"Asset"** means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the relevant Reference Entity or a third party (or any value which was realized or capable of being realized in circumstances where the right and/or other asset no longer exists).

**"Asset Market Value"** has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

**"Asset Package"** means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero.

**"Asset Package Credit Event"** means if:

- (a) "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Settlement Matrix for the Transaction Type applicable to the Reference Entity;
  - (i) a Governmental Intervention; or
  - (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the Settlement Matrix for the Transaction Type applicable to the Reference Entity and such Restructuring does not constitute a Governmental Intervention; and

- (b) the relevant Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, a Restructuring.

In each case, such event may be an Asset Package Credit Event whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

"**Asset Package Delivery**" has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

"**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent.

"**Auction**" has the meaning ascribed to it in the Transaction Auction Settlement Terms.

"**Auction Final Price**" means the "Final Price" (expressed as a percentage) determined by ISDA for the settlement of credit derivatives transactions in an auction process in accordance with the Transaction Auction Settlement Terms as further outlined on ISDA's webpage <http://www.isda.org/credit/> (or any successor website thereto). The Auction Final Price is generally published on <http://creditfixings.com/CreditEventAuctions> (see also section II. 2.4.1 (*Determination of the Final Price by Reference to the Auction Final Price determined by ISDA*)).

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

"**Banking Day**" means, in respect of any city, any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Bankruptcy**" means, with respect to a Reference Entity, the Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

"**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.

"**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money.



"**Bond or Loan**" means any obligation that is either a Bond or a Loan.

"**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"**Breakage Costs**" means the amount of losses or costs of the Issuer that are or would be incurred following the occurrence of

- (a) 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 Notes but for the occurrence of the Early Redemption Event;
- (b) a Credit Event in terminating any hedging arrangement or closing (by way of entering into an offsetting transaction) any hedging position entered into in connection with the issuance of the Notes. If the Issuer does not terminate any such hedging transaction or does not close any such hedging position by entering into any such offsetting transaction(s), the amount of Breakage Costs may be based on the amount the Issuer would have to pay for entering into (in case of termination) any such replacement transaction or (in case of closing any hedging position by way of entering into an offsetting transaction) any such offsetting transaction(s) on the basis of then prevailing market prices (including any costs and expenses); or
- (c) the event set out in paragraph (a) of the definition of Substitution Event occurs with respect to the Reference Obligation in a Reference Obligation Only Trade.

Without limitation, Breakage Costs shall include: (a)(i) the aggregate costs incurred by the Issuer upon terminating, due to the occurrence of the Credit Event, any hedging arrangement entered into in connection with the issuance of the Notes, including but not limited to, any unwind fees or charges incurred by the Issuer upon termination of any internal interest rate swap, entered into by the Issuer and UBS AG, London Branch, acting as swap counterparty as if UBS AG, London Branch was an external third party swap counterparty (the "**Relevant Swap**"); (ii) any accrued and unpaid payments due to the Issuer in respect of the Relevant Swap; and (b)(i) the costs, charges, fees, howsoever described, incurred by the Issuer upon terminating any of its term funding transactions that were entered into in connection with the issuance of the Notes, including, but not limited to, any funding transaction entered into, by the Issuer with UBS AG, London Branch acting as deposit provider, as if UBS AG, London Branch was an external third party deposit provider (the "**Relevant Funding**"); and (ii) any accrued and unpaid payments due to the Issuer in respect of the Relevant Funding. The Breakage Costs per Note shall be equal to the aggregate Breakage Costs divided by the number of Notes to be redeemed.

"**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 days 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.

"**Change in Law**" means that, on or after the Issue Date of the Notes (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 Notes 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 Notes (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, Frankfurt am Main (and any successor thereto).

"**Clearstream Luxembourg**" means Clearstream Banking *société anonyme*, Luxembourg (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.

"**Conforming Reference Obligation**" means a Reference Obligation which is a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation.

"**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent.

"**Credit Derivatives Auction Settlement Terms**" means any Credit Derivatives Auction Settlement Terms published by ISDA, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Calculation Agent shall be authorised to construe any Credit Derivatives Auction Settlement Terms (including any Transaction Auction Settlement Terms) in such manner as it shall determine in its sole and absolute discretion to be necessary in order to give effect to the meaning of any word or expression used herein and which is defined by reference to such Credit Derivatives Auction Settlement Terms.

"**Credit Derivatives Determinations Committees**" means the committees established pursuant to the DC Rules for the purposes of reaching certain DC Resolutions in relation to credit derivatives transactions including, without limitation, whether and when a Credit Event has occurred. If ISDA ceases to establish such committees or ISDA is abolished, split up or otherwise replaced, the Credit Derivatives Determinations Committees shall be such committees that are commonly referred to by dealers in credit derivatives transactions and that make the same or materially similar determinations as the committees established by ISDA (but eventually on different terms and rules).

"**Credit Event**" means one or more of the Credit Events applicable to the Reference Entity and Transaction Type (as specified in the relevant Final Terms) pursuant to the Settlement Matrix. If the occurrence of an event would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation, or, as applicable, any Underlying Obligation, howsoever described, (c) any applicable law, order, regulation, decree or notice, howsoever described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, howsoever described, or (d) the imposition of, or any change in any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, howsoever described.

"**Credit Event Backstop Date**" means (a) for the purposes of whether any event constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in part (ii) of the definition of Repudiation/Moratorium), as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date or

(b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the date on which a Credit Event Notice is delivered by the Issuer to the Noteholders and (ii) the Credit Event Resolution Request Date if the date on which a Credit Event Notice is delivered by the Issuer to the Noteholders occurs during the Post Dismissal Additional Period. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention. In the relevant Final Terms, the Issuer may elect not to apply the relevant look-back period to a date that falls prior to the Trade Date.

**"Credit Event Notice"** means a notice given by the Issuer to the Noteholders in writing of the determination by the Calculation Agent that a Credit Event has occurred within the Reference Period and that the Notes will be redeemed or partially redeemed, as the case may be, in accordance with section II. 2.2 (*Redemption following a Credit Event*). The Credit Event Notice shall describe the type of the Credit Event and specify the date the Credit Event has occurred (either by reference to the relevant DC Credit Event Announcement or, if there is no DC Credit Event Announcement, to Publicly Available Information). Unless the Credit Event was determined by a Credit Derivatives Determinations Committee, the relevant Credit Event Notice shall include Publicly Available Information from at least two different sources describing the occurrence of the Credit Event.

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

A Credit Event Notice that describes a Credit Event other than an M(M)R Restructuring must be in respect of the aggregate principal amount of the outstanding Notes (multiplied by the Entity Weighting of the affected Reference Entity in case of Basket Credit Linked Notes).

The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date that the Credit Event Notice is given.

**"Credit Event Resolution Request Date"** means with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

**"Credit Linkage End Date"** means the latest of

- (a) the Scheduled Maturity Date;
- (b) the Grace Period Extension Date if (i) Grace Period Extension and Failure to Pay are specified in the Settlement Matrix for the Transaction Type applicable to such Reference Entity, (ii) the relevant Credit Event is a Failure to Pay that occurs after the Scheduled Maturity Date and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date; and
- (c) the Repudiation/Moratorium Evaluation Date if (i) Repudiation/Moratorium is specified in the Settlement Matrix for the Transaction Type applicable to such Reference Entity, (ii) the relevant Credit Event is a Repudiation/Moratorium for which the event described in part (ii) of the definition of "Repudiation/Moratorium" occurs after the Scheduled Maturity Date, and (iii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date.

**"Credit Linkage Start Date"** means the credit linkage start date specified in the relevant Final Terms (or if no such date is specified, the Credit Event Backstop Date).

"**Day Count Fraction**" means the day count fraction specified in the relevant Final Terms and described in section II. 1.3.1 (*Day Count Fraction and Business Day Convention*).

"**DC Credit Event Announcement**" means, with respect to a Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred on or after the Credit Linkage Start Date and on or prior to the Credit Linkage End Date provided that if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

"**DC Credit Event Question**" means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event has occurred.

"**DC Credit Event Question Dismissal**" means, with respect to a Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

"**DC No Credit Event Announcement**" means, with respect to a Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.

"**DC Resolution**" has the meaning ascribed to it in the DC Rules. The Calculation Agent shall determine in its sole and absolute discretion whether, how and the extent to which any DC Resolution of the relevant Credit Derivatives Determinations Committee applies to the Notes in accordance with these General Terms and Conditions, including any DC Resolution that reverses a previous DC Resolution and the Calculation Agent may determine that any DC Resolution that reverses a previous DC Resolution shall not be effective for the purpose of these General Terms and Conditions if the Calculation Agent determines (in its sole and absolute discretion) that such DC Resolution would not be effective for the purpose of a comparable credit derivative transaction.

"**DC Rules**" means the Credit Derivatives Determinations Committee Rules published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

"**DC Secretary**" has the meaning ascribed to it in the DC Rules.

"**Dealer**" means a dealer in obligations of the type of Selected Deliverable Obligations for which Quotations are to be obtained, as selected by the Calculation Agent in its sole and absolute discretion.

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

"**Default Requirement**" means the amount specified as such in the relevant Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, the amount specified in the Settlement Matrix with respect to the relevant Transaction Type or, otherwise, USD 10,000,000, or, in each case, its equivalent Obligation Currency).

"**deliver**", "**delivery**" and "**delivered**", as used in section II. (*Product Specific Terms and Conditions*), have the meanings ascribed to them in section II. 2.2.3 (*Physical Redemption*).

"**Deliverable Obligation**" means in respect of a Reference Entity

- (a) any obligation of the relevant Reference Entity (either directly or as provider of a Relevant Guarantee) described by the specified Deliverable Obligation Category and having each of the Deliverable Obligation Characteristics;

- (b) the Reference Obligation for such Reference Entity;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation; and
- (d) if Asset Package Delivery is applicable, any Prior Deliverable Obligation (if "Financial Reference Entity Terms" is specified as applicable in the Settlement Matrix for the Transaction Type applicable to the Reference Entity) or any Package Observable Bond (if the relevant Reference Entity is a Sovereign),

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d), immediately prior to the relevant Asset Package Credit Event),

or any other obligation of a Reference Entity specified as such in the Final Terms,

*provided* that, in each case, the Calculation Agent determines that such obligation would be a "deliverable obligation" for the purpose of a Market Credit Default Swap.

**"Deliverable Obligation Category"** means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, as specified in Settlement Matrix for the Transaction Type applicable to the Reference Entity (each as defined herein, except that, for the purpose of determining Deliverable Obligation(s), the definition of Reference Obligation Only shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only).

**"Deliverable Obligation Characteristics"** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, as specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, provided that:

- (a) if (i) any of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, the relevant Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds, (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, the relevant Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans, or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, the relevant Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans;
- (b) if more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics;
- (c) for purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero;

- (d) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, if an obligation would otherwise satisfy a particular Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the relevant Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Deliverable Obligation Characteristic;
- (e) for purposes of determining the applicability of Deliverable Obligation Characteristics to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event; and
- (f) if "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

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

**"Direct Loan Participation"** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of a contractual right in favour of the Noteholder that provides such Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between such Noteholder and either (a) the Issuer (to the extent the Issuer is then a lender or a member of the relevant lending syndicate), or (b) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate).

**"Disruption Event(s)"** means the occurrence of either a Settlement Disruption Event as set out in section III. 7 (*Settlement Disruption Event*) or such additional Disruption Events as specified and defined in the relevant Final Terms.

**"Domestic Currency"** means the currency specified in the relevant Final Terms and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the relevant Reference Entity, if the relevant Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the relevant Reference Entity is not a Sovereign).

**"Domestic Law"** means each of the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organized, if such Reference Entity is not a Sovereign.

**"Downstream Affiliate"** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity.

**"Due and Payable Amount"** means the amount that is due and payable by a Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the date of delivery of the Notice of Physical Settlement or if the Notice of Physical Settlement is changed, the date notice of the last such change is given (or if the terms of the obligation are amended after such date but on or prior to the date for delivery of the Portfolio, the date for delivery of the Portfolio) or (B) the Valuation Date, as applicable.

**"Early Redemption Amount"** in respect of each Note means an amount in the Settlement Currency to be determined by the Calculation Agent on the basis of the fair market value of the Notes (including any accrued but

unpaid interest) less any Breakage Costs, determined by the Calculation Agent as at the date that notice of the early redemption has been published in accordance with section III. 17.2 (*Notice to the Noteholders*).

**"Early Redemption Date"** means the date specified in section II. 2.5 (*Early Redemption*).

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

**"Eligible Information"** means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Entity Weighting"** means, in respect of a Reference Entity, the percentage amount specified as such for such Reference Entity in the relevant Final Terms (subject to any adjustments pursuant to section II. 3.2 (*Multiple Successors*)).

**"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.

**"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*).

**"Excluded Deliverable Obligation"** means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the relevant Final Terms;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and
- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

**"Excluded Obligation"** means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the relevant Final Terms;
- (b) if "Financial Reference Entity Terms" is specified as applicable in the Settlement Matrix for the Transaction Type applicable to the relevant Reference Entity and Senior Transaction is specified as applicable in the relevant Final Terms with respect to such Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Settlement Matrix for the Transaction Type applicable to the relevant Reference Entity and Subordinated Transaction is specified as applicable in the relevant Final Terms with respect to such Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

**"Exercise Amount"** has the meaning ascribed to it in section II. 4 (*Restructuring and Multiple Credit Event Notices*).

**"Exercise Portion"** has the meaning ascribed to it in section II. 4 (*Restructuring and Multiple Credit Event Notices*).

**"Failure to Pay"** means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

"**FATCA**" means Section 1471 to 1474 of the U.S. Internal Revenue Code, as amended from time to time.

"**FFI**" means a foreign financial institution (for the purpose of FATCA).

"**Final List**" has the meaning ascribed to it in section II. 2.4.1 (*Determination of the Final Price by Reference to the Auction Final Price determined by ISDA*).

"**Final Price**" shall be the Auction Final Price or the Valuation Final Price (as applicable) determined in accordance with the relevant Final Terms and section II. 2.4 (*Determination of Final Price*), unless the relevant Final Terms provide for a fixed percentage number, in which case the Final Price shall be such percentage number.

"**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.

"**Fixed Cap**" means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the relevant Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

"**Fixing Date**" means the AUD-BBSW Fixing Date, CAD-LIBOR Fixing Date, CHF-LIBOR Fixing Date, EURIBOR Fixing Date, GBP-LIBOR Fixing Date, HIBOR Fixing Date, JIBAR Fixing Date, JPY-LIBOR Fixing Date, NIBOR Fixing Date, PRIBOR Fixing Date, SOR Fixing Date, STIBOR Fixing Date, USD-LIBOR Fixing Date, WIBOR Fixing Date or any other fixing date specified in the relevant Final Terms.

"**Full Quotation**" means each firm bid quotation obtained from a Dealer at or around the Valuation Time, to the extent reasonably practicable, for the relevant Selected Deliverable Obligation and requested Quotation Amount.

"**Further Subordinated Obligation**" means, if the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

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

"**Governmental Authority**" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental, inter-governmental or supranational body, any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of a Reference Entity or some or all of its obligations or any other authority which is analogous to any of the entities specified above.

"**Governmental Intervention**" means:

- (a) that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to a Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:
  - (i) any event which would affect creditors' rights so as to cause:



- (A) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (B) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (C) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (D) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (ii) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
  - (iii) a mandatory cancellation, conversion or exchange; or
  - (iv) any event which has an analogous effect to any of the events specified in paragraphs (a)(i) to (iii).
- (b) For purposes of paragraph (a) of this definition of Governmental Intervention, the term Obligation shall be deemed to include Underlying Obligations for which the relevant Reference Entity is acting as provider of a Guarantee.

"**Grace Period**" means the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred, PROVIDED THAT if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation.

"**Grace Period Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation or, if a place or places are not so specified, (a) if the Obligation Currency is the euro, a TARGET Settlement Day, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

"**Grace Period Extension Date**" means the date that is the number of days in the Grace Period after the date of the Potential Failure to Pay.

"**Guarantee**" means a Relevant Guarantee or a guarantee which is the Reference Obligation.

"**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 Notes, 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 Notes, 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.

"**Interest Amount**" means an amount which is calculated as described in the relevant Final Terms.

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

"**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 Scheduled Interest Payment Date and each period beginning on (and including) one Scheduled Interest Payment Date and ending on (but excluding) the next Scheduled Interest Payment Date (as specified in the relevant Final Terms), provided that if the relevant Final Terms specify "Unadjusted" as applicable, the Scheduled Interest Payment Dates and Scheduled 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. 1.3.1 (*Day Count Fraction and Business Day Convention*)).

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

"**IRS**" means the U.S. Internal Revenue Service (and any successor thereto).

"**ISDA**" means

- (a) the International Swaps and Derivatives Association, Inc. or, if the International Swaps and Derivatives Association is split into various associations, abolished or otherwise ceases to be the representative person in respect of credit derivatives documentation and issues, such successor or other person that dealers and market participants in the credit derivatives market refer to in relation to credit derivatives documentation, resolutions and issues; and
- (b) any agent appointed or chosen by ISDA or any other company cooperating with ISDA in connection with the conduct of an Auction or the determination or announcement of an Auction Final Price including, without limitation, Creditex Group Inc. and Markit Group Ltd.

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

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

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

"**Largest Asset Package**" means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If this cannot be determined, the Largest Asset Package will be the package of Assets with the highest immediately realisable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee.

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

"**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange.

"**Loan**" means any obligation of a type included in the Borrowed Money Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement but shall not include any other type of Borrowed Money.

"**Market Credit Default Swap**" means a notional market standard credit default swap transaction which satisfies the following conditions:

- (a) it has an effective date coinciding with the Issue Date;
- (b) it has a scheduled termination coinciding with the Scheduled Maturity Date;
- (c) it references the Reference Entity (including the Transaction Type applicable to such Reference Entity) which is subject to the relevant Credit Event;
- (d) it references, if applicable, the same Reference Obligation as specified in the relevant Final Terms; and
- (e) auction settlement is specified as the settlement method (with physical settlement as the fallback settlement method).

"**Maximum Exercise Amount**" has the meaning ascribed to it in section II. 4 (*Restructuring and Multiple Credit Event Notices*).

"**Maximum Exercise Portion**" has the meaning ascribed to it in section II. 4 (*Restructuring and Multiple Credit Event Notices*).

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

"**Maximum Maturity**" means an obligation that has a remaining maturity of not greater than thirty years (unless otherwise specified in the Settlement Matrix for the Transaction Type applicable to the relevant Reference Entity).

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

"**M(M)R Restructuring**" means a Restructuring Credit Event in respect of which either "Mod R" or "Mod Mod R" is applicable pursuant to the Settlement Matrix and Transaction Type of the Reference Entity.

"**Multiple Holder Obligation**" means an Obligation that (i) at the time the Credit Event Notice is delivered, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which would otherwise constitute a "Restructuring" Credit Event. Any Obligation that is a Bond shall be deemed to satisfy the requirement of sub-section (ii) of this definition of Multiple Holder Obligation.

"**Nominee**" means the nominee of the Issuer described in the relevant Final Terms.

"**Non-Conforming Reference Obligation**" means a Reference Obligation which is not a Conforming Reference Obligation.

"**Non-Conforming Substitute Reference Obligation**" means an obligation which would be a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

"**Non-Financial Instrument**" has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

"**Non-Standard Reference Obligation**" means the Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

"**Non-Transferable Instrument**" has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

"**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system.

"**Not Domestic Currency**" means any obligation that is payable in any currency other than the applicable Domestic Currency provided that a Standard Specified Currency shall not constitute a Domestic Currency.

"**Not Domestic Issuance**" means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the relevant Reference Entity.

"**Not Domestic Law**" means any obligation that is not governed by the applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute a Domestic Law.

"**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt".

"**Not Subordinated**" means an obligation that is not Subordinated (as defined in the definition of Subordination) to (I) the Reference Obligation or (II) the Prior Reference Obligation, if applicable.

"**Noteholder(s)**" or "**Investor(s)**" means an investor or the investors in the Notes.

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

"**Notice of Physical Settlement**" has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

"**Obligation**" means in relation to a Reference Entity (i) any obligation of the Reference Entity (either directly or as the provider of a Relevant Guarantee) described by the Obligation Category and having each of the relevant Obligation Characteristics (if any) as specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity (in each case immediately prior to the Credit Event) and (ii) any Reference Obligation. If a Reference Obligation is specified, the Reference Obligation is always an Obligation, regardless of whether it is described by the Obligation Category or has each of the applicable Obligation Characteristics (if any). In any case, an Excluded Obligation shall not be an Obligation.

"**Obligation Acceleration**" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"**Obligation Category**" means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity.

**"Obligation Characteristics"** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, as specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, provided that:

- (a) if either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, the relevant Final Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds; and
- (b) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, if an obligation would otherwise satisfy a particular Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the relevant Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic.

**"Obligation Currency"** means the currency or currencies in which an Obligation is denominated.

**"Obligation Default"** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**"Original Non-Standard Reference Obligation"** means the obligation of a Reference Entity (either directly or as provider of a guarantee) which is specified in the Final Terms as the Reference Obligation (if any is so specified) provided that if an obligation is not an obligation of the relevant Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless (a) this provision is expressly amended or overridden in the Final Terms, or (b) Reference Obligation Only Trade is applicable.

**"Outstanding Amount"** has the meaning ascribed to it in section II. 2.2.3 (*Physical Redemption*).

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

**"Outstanding Principal Balance"** of an obligation means an amount calculated as follows:

- (a) (i) first, by determining, in respect of the obligation, the amount of the relevant Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest, the relevant Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (A) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the relevant Reference Entity were references to the Underlying Obligor) and (B) the amount of the Fixed Cap, if any);
- (ii) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (A) is subject to any Prohibited Action, or (B) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (I) payment or (II) a Permitted Contingency) (the amount determined in paragraph (a)(i) less any amounts subtracted in accordance with paragraph (a)(ii), the **"Non-Contingent Amount"**); and
- (iii) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance, in each case, determined:

- (A) unless otherwise specified, in accordance with the terms of the obligation in effect on either (I) the date of delivery of the Notice of Physical Settlement or if the Notice of Physical Settlement is changed, the date notice of the last such change is given (or if the terms of the obligation are amended after such date but on or prior to the date for delivery of the Portfolio, the date for delivery of the Portfolio), or (II) the Valuation Date, as applicable; and
  - (B) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).
- (b) **"Quantum of the Claim"** means the lowest amount of the claim which could be validly asserted against a Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

**"Package Observable Bond"** means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within the definition of Deliverable Obligation set out in (a) or (b) of the definition of Deliverable Obligation, in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

**"Partial Redemption Amount"** means the partial redemption amount specified in the relevant Final Terms.

**"Participating FFI"** means a Participating FFI for the purposes of FATCA.

**"Paying Agent"** means the paying agent specified in the relevant Final Terms, subject to a variation or termination of appointment according to section III. 12 (*Agents*).

**"Payment"** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money.

**"Payment Requirement"** means the amount specified as such in the relevant Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, the amount specified in the Settlement Matrix with respect to the relevant Transaction Type or, otherwise, USD 1,000,000, or, in each case, its equivalent in the relevant Obligation Currency).

**"Permitted Contingency"** means, with respect to an obligation, any reduction to a Reference Entity's payment obligations:

- (a) as a result of the application of:
  - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of such Reference Entity;
  - (ii) provisions implementing the Subordination of the obligation;
  - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of such Reference Entity from its payment obligations in the case of any other Guarantee);
  - (iv) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable pursuant to the Settlement Matrix and Transaction Type of the Reference Entity; or

- (v) provisions which permit such Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable pursuant to the Settlement Matrix and Transaction Type of the Reference Entity; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

**"Permitted Transfer"** means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the relevant Reference Entity to the same single transferee.

**"Physical Redemption Date"** means the date specified by the Issuer in the Notice of Physical Settlement as the intended redemption date for the delivery of the relevant Portfolio to the Noteholders which shall not be later than 165 calendar days following (a) the occurrence of a DC Credit Event Announcement with respect to the relevant Credit Event, or (b) if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred with respect to the relevant Credit Event, the date the Issuer gave a Credit Event Notice to the Noteholders.

**"Portfolio"** means, in respect of a Reference Entity which is subject to a Credit Event, the portfolio of Selected Deliverable Obligations and/or cash selected by the Issuer in its discretion, provided that (a) the aggregate Outstanding Principal Balance (in the case of Deliverable Obligations that are Borrowed Money) or the aggregate Due and Payable Amount (in the case of Deliverable Obligations that are not Borrowed Money) (converted, as applicable, into the currency in which the Notes are denominated at the spot foreign exchange rate prevailing on the date that the relevant Selected Deliverable Obligation was first included in the Notice of Physical Settlement, as determined by the Calculation Agent) and/or cash comprising the Portfolio shall be (approximately) equal to (i) the aggregate Specified Denomination of the outstanding Notes, in case of Single Name Credit Linked Notes or (ii) the product of the aggregate Specified Denomination of the outstanding Notes and the Entity Weighting of such Reference Entity, in case of Basket Credit Linked Notes and (b) the Issuer shall, if it has incurred any Breakage Costs in respect of such Credit Event, exclude sufficient cash and/or Selected Deliverable Obligations from the Portfolio such that the value of the excluded cash and/or Selected Deliverable Obligation is equal to the Breakage Costs.

**"Post Dismissal Additional Period"** means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the date that is fourteen calendar days after the Credit Linkage End Date (including prior to the Trade Date)).

**"Potential Credit Event"** means an event which in the reasonable opinion of the Calculation Agent constitutes a Credit Event but in respect of which neither (a) a DC Credit Event Announcement has occurred nor (b) the Issuer has given a Credit Event Notice to the Noteholders prior to the Scheduled Maturity Date.

**"Potential Failure to Pay"** means the failure by a Reference Entity to make, when and where due, any payment in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.

**"Potential Repudiation/Moratorium"** means the occurrence of the events described in section (i) of the definition of "Repudiation/Moratorium".

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

**"Prior Deliverable Obligation"** means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the relevant Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within the definition of Deliverable Obligation set out in part (a) or (b) of the definition of Deliverable Obligation, in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or
- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

**"Prior Reference Obligation"** means, in circumstances where there is no applicable Reference Obligation, (I) the Reference Obligation most recently applicable, if any, and otherwise, (II) the obligation specified in the relevant Final Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the relevant Reference Entity.

**"Private-side Loan"** means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

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

**"Prohibited Action"** means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of Credit Event) or right of set off by or of a Reference Entity or any applicable Underlying Obligor.

**"Public Source"** means each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon KeizaiShimbun, AsahiShimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and any successor publications), the main source(s) of business news in the country in which a Reference Entity is organized and any other internationally recognized published or electronically displayed news sources.

**"Publicly Available Information"** means information that reasonably confirms any of the facts relevant to the determination that the Credit Event described in a Credit Event Notice has occurred and which:

- (i) has been published in or on not less than two Public Sources regardless of whether the reader or user thereof pays a fee to obtain such information;
- (ii) is information received from or published by (A) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
- (iii) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body,

provided that where any information of the type described above in sections (ii) or (iii) is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information described above in sections (ii) or (iii), recipients may assume that such information has been disclosed to them without violating any law, agreement or understanding regarding the confidentiality of such information and that the Issuer has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.



Without limitation, Publicly Available Information need not state (i) where applicable, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (ii) that the relevant occurrence (A) has met the Payment Requirement or Default Requirement, (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in certain Credit Events.

**"Qualifying Affiliate Guarantee"** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**"Qualifying Guarantee"** means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which a Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (i) which is structured as a surety bond, financial guarantee insurance policy, letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (ii) pursuant to the terms applicable thereto, the principal payment obligations of the relevant Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:
  - (i) by payment;
  - (ii) by way of Permitted Transfer;
  - (iii) by operation of law;
  - (iv) due to the existence of a Fixed Cap; or
  - (v) due to:
    - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity; or
    - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the relevant Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of Bankruptcy in respect of the relevant Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

- (x) the benefit of such guarantee must be capable of being delivered together with the delivery of the Underlying Obligation; and
- (y) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being delivered together with the delivery of such guarantee.

"**Qualifying Participation Seller**" means any participation seller that meets the requirements specified in the relevant Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"**Quotation**" has the meaning ascribed to it in section II. 2.4.2 (*Fallback Determination of the Final Price*).

"**Quotation Amount**" has the meaning ascribed to it in section II. 2.4.2 (*Fallback Determination of the Final Price*).

"**Redemption Amount**" means the applicable redemption amount specified in the relevant Final Terms.

"**Redemption Date**" means the redemption date applicable to the Notes specified in the relevant Final Terms.

"**Redemption Notice**" has the meaning ascribed to it in section II. 2.2.2 (*Cash Redemption*).

"**Reference Banks**" has the meaning ascribed to it in section II. 1.3.3 (*Notes with Interest subject to a Reference Rate*).

"**Reference Entity**" or "**Reference Entities**" means the entity or entities specified as such in the relevant Final Terms. Any Successor to a Reference Entity either (a) identified by the Calculation Agent pursuant to section II. 3 (*Succession and Substitution Events*) on or following the Trade Date, or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be a Reference Entity (as determined pursuant and subject as provided in section II. 3 (*Succession and Substitution Events*)).

"**Reference Obligation**" means in respect of a Reference Entity, the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified in the Final Terms as not applicable, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or
- (b) (i) "Standard Reference Obligation" is specified as applicable in the Final Terms (or no election is specified), (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the Final Terms, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

"**Reference Obligation Only**" means in relation to a Reference Entity any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligation Only.

"**Reference Obligation Only Trade**" means in respect of a Reference Entity (a) "Reference Obligation Only" is specified in the Final Terms as the Obligation Category and the Deliverable Obligation Category and (b) "Standard Reference Obligation" is specified in the Final Terms as not applicable. If the event set out in paragraph (a) of the definition of Substitution Event occurs with respect to the Reference Obligation in a Reference Obligation Only Trade, the Issuer shall, as soon as reasonably practicable thereafter, give notice to the Noteholders designating a date for redemption of the Notes and the relevant portion of the Notes shall be redeemed at an amount in the currency of the Specified Denomination of the Notes equal to the outstanding nominal amount of the Notes to be redeemed minus the Breakage Costs, subject to a minimum of zero, unless the Notes have otherwise fallen due for redemption.

"**Reference Period**" means the period from and including the Credit Linkage Start Date to and including the Credit Linkage End Date.

"**Reference Rate**" means any one of the following rates, as specified in the relevant Final Terms, or any other rate specified in the relevant Final Terms:

- (i) "**AUD-BBSW**" or "**AUD-BBR-BBSW**" means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters Screen BBSW Page at or around 10:10 a.m., Sydney time, on that Reset Date (the "**AUD-BBSW Fixing Date**").
- (ii) "**CAD-LIBOR**" or "**CAD-LIBOR-BBA**" means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page at or around 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date (the "**CAD-LIBOR Fixing Date**").
- (iii) "**CHF-LIBOR**" or "**CHF-LIBOR-BBA**" means that the rate for a Reset Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 Page at or around 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date (the "**CHF-LIBOR Fixing Date**").
- (iv) "**EURIBOR**" or "**EUR-EURIBOR-Reuters**" means that the rate for a Reset Date will be the rate for deposits in Euros for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 Page at or around 11:00 a.m., Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date (the "**EURIBOR Fixing Date**").
- (v) "**GBP-LIBOR**" or "**GBP-LIBOR-BBA**" means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page at or around 11:00 a.m., London time, on that Reset Date (the "**GBP-LIBOR Fixing Date**").
- (vi) "**HIBOR**" or "**HKD-HIBOR**" or "**HKD-HIBOR-HIBOR**" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" at or around 11:00 a.m., Hong Kong time, on that Reset Date (the "**HIBOR Fixing Date**").
- (vii) "**JIBAR**" or "**ZAR-JIBAR**" or "**ZAR-JIBAR-SAFEX**" means that the rate for a Reset Date will be the midmarket rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page under the caption "YIELD" at or around 11:00 a.m., Johannesburg time, on that Reset Date (the "**JIBAR Fixing Date**").
- (viii) "**JPY-LIBOR**" or "**JPY-LIBOR-BBA**" means that the rate for a Reset Date will be the rate for deposits in Yen for a period of the Designated Maturity which appears on the Reuters Screen 3750 Page at or around 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date (the "**JPY-LIBOR Fixing Date**").
- (ix) "**NIBOR**" or "**NOK-NIBOR-NIBR**" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page at or around 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date (the "**NIBOR Fixing Date**").

- (x) "**PRIBOR**" or "**CZK-PRIBOR**" or "**CZK-PRIBOR-PRBO**" means that the rate for a Reset Date will be the offered rate for deposits in Czech Korunas for a period of the Designated Maturity which appears on the Reuters Screen PRBO Page at or around 11:00 a.m., Prague time, on the day that is two Prague Banking Days preceding that Reset Date (the "**PRIBOR Fixing Date**").
- (xi) "**SOR**" or "**SGD-SOR**" or "**SGD-SOR-Reuters**" means that the rate for a Reset Date will be the synthetic rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 Page under the heading "SGD SWAP OFFER" at or around 11:00 a.m., Singapore time, on the day that is two Singapore Banking Days preceding that Reset Date (the "**SOR Fixing Date**").
- (xii) "**STIBOR**" or "**SEK-STIBOR**" or "**SEK-STIBOR-SIDE**" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE Page under the caption "FIXINGS" at or around 11:00 a.m., Stockholm time, on the day that is two Stockholm Banking Days preceding that Reset Date (the "**STIBOR Fixing Date**").
- (xiii) "**USD-LIBOR**" or "**USD-LIBOR-BBA**" means that the rate for a Reset Date will be the rate for deposits in U.S. Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 at or around 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date (the "USD-LIBOR Fixing Date").
- (xiv) "**WIBOR**" or "**PLZ-WIBOR**" or "**PLZ-WIBOR-WIBO**" means that the rate for a Reset Date will be the offered rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on **the** Reuters Screen WIBO Page at or around 11:00 a.m., Warsaw time, on the day that is two Warsaw Banking Days preceding that Reset Date (the "**WIBOR Fixing Date**").

"**Relevant Guarantee**" means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, a Qualifying Guarantee.

If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:

- (i) for the purposes of applying the Obligation Category and the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
- (ii) for the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics:
  - (a) both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable specified Obligation Characteristics or Deliverable Obligation Characteristics from the following list:
    - Not Subordinated
    - Specified Currency
    - Not Sovereign Lender
    - Not Domestic Currency
    - Not Domestic Law.
  - (b) only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable specified Obligation Characteristics or Deliverable Obligation Characteristics from the following list:
    - Listed
    - Not Domestic Issuance

Assignable Loan  
Consent Required Loan  
Direct Loan Participation  
Transferable  
Maximum Maturity  
Accelerated or Matured  
Not Bearer; and

- (iii) for the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to be references to the Underlying Obligor.

**"Relevant Holder"** means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement, or amended Notice of Physical Settlement, as applicable.

**"Relevant Obligations"** means the Obligations of a Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (i) any Bonds or Loans outstanding between the relevant Reference Entity and any of its Affiliates, or held by such Reference Entity, shall be excluded;
- (ii) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under paragraph (a) of the definition of Successor, make the appropriate adjustments required to take account of any Obligations of the relevant Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (iii) if "Financial Reference Entity Terms" is specified in the Settlement Matrix for the Transaction Type applicable to such Reference Entity and if Senior Transaction applies with respect to the relevant Reference Entity, the Relevant Obligations shall only include the Senior Obligations of the relevant Reference Entity which fall within the Obligation Category "Bond or Loan"; and
- (iv) if "Financial Reference Entity Terms" is specified in the Settlement Matrix for the Transaction Type applicable to such Reference Entity, and if Subordinated Transaction applies with respect to the relevant Reference Entity, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the relevant Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall have the same meaning as it would if Senior Transaction applied with respect to the relevant Reference Entity.

**"Relevant Stock Exchange"** means the stock exchange where the Notes are listed, if applicable, as set out in the relevant Final Terms.

**"Repudiation/Moratorium"** means the occurrence of both of the following events: (i) an authorised officer of a Reference Entity or a Governmental Authority (a) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement, or (b) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement and (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium.

**"Reset Date"** means the first day of the relevant Interest Period.

**"Resolve"** has the meaning given to that term in the DC Rules and **"Resolved"**, **"Resolves"** and **"Resolving"** shall be construed accordingly.

**"Restructuring"** means that:

- (a) with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date and the date as of which such Obligation is issued or incurred:
  - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium;
  - (iv) a change in the ranking in priority of payment of any Obligation causing the Subordination of such Obligation to any other Obligation; or
  - (v) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).
- (b) Notwithstanding the provisions of paragraph (a) of this definition of Restructuring, none of the following shall constitute a Restructuring:
  - (i) the payment in euros of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
  - (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of

general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;

- (iii) the occurrence of, agreement to or announcement of any of the events described in paragraphs (a)(i) to (v) of this definition of Restructuring due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
  - (iv) the occurrence of, agreement to or announcement of any of the events described in paragraphs (a)(i) to (v) of this definition of Restructuring in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of a Reference Entity provided that in respect of paragraph (a)(v) of this definition of Restructuring only, no such deterioration in the creditworthiness or financial condition of a Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.
- (c) Unless Multiple Holder Obligation is specified in the Settlement Matrix as not applicable with respect to the Transaction Type of a Reference Entity, then, notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to, or announcement of, any of the events described in paragraphs (a)(i) to (v) of this definition of Restructuring shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.
- (d) For the purposes of this definition of Restructuring and the definition of Multiple Holder Obligation, the term Obligation shall be deemed to include Underlying Obligations for which the relevant Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation references to the Reference Entity in paragraph (a) above of this definition of Restructuring shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in paragraph (b) above of this definition of Restructuring shall continue to refer to the Reference Entity.
- (e) If an exchange has occurred, the determination as to whether one of the events described under paragraphs (a)(i) to (v) of this definition of Restructuring has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

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

"**Scheduled Interest Payment Date**" means each of the scheduled interest payment dates specified in the relevant Final Terms.

"**Scheduled Maturity Date**" means the scheduled maturity date specified in the relevant Final Terms.

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

"**Selected Deliverable Obligations**" has the meaning ascribed to it in section II. 2.4.2 (*Fallback Determination of the Final Price*).

"**Seller Merger Notice**" has the meaning ascribed to it in section II. 2.6 (Redemption following a Noteholder Merger Event).

"**Senior Obligation**" means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of a Reference Entity.

"**Senior Transaction**" means, with respect to a Reference Entity, that (a) the Reference Obligation or Prior Reference Obligation, as applicable, in relation to such Reference Entity is a Senior Obligation, or (b) there is no Reference Obligation or Prior Reference Obligation in relation to such Reference Entity.

"**Seniority Level**" means, with respect to an obligation of a Reference Entity, (a) "Senior Level" or "Subordinated Level" as specified in the Final Terms, or (b) if no such seniority level is specified, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which (c) "Senior Level".

"**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**" means an event beyond the control of the Issuer and/or the Paying Agent as a result of which the Issuer and/or the Paying Agent cannot make (i) a payment and/or (ii) 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.

"**Settlement Matrix**" means the "Credit Derivatives Physical Settlement Matrix", as most recently amended and supplemented as at the Trade Date (unless otherwise provided in the terms of the Notes) and as published by ISDA on its website at [http://www.isda.org/c\\_and\\_a/Credit-Derivatives-Physical-Settlement-Matrix.html](http://www.isda.org/c_and_a/Credit-Derivatives-Physical-Settlement-Matrix.html) (or any successor website thereto) (which website or any such successor website shall not form part of the Final Terms); provided that if the Calculation Agent determines in its sole and absolute discretion that any provision in the Credit Derivatives Physical Settlement Matrix is not relevant to the Notes or is inconsistent with any other provision of these General Terms and Conditions or the Final Terms, then such provision shall be ignored to the extent that the Calculation Agent so determines it not to be relevant or to be inconsistent.

If and to the extent that the Settlement Matrix refers to the application of any supplement and/or additional provisions with respect to a Transaction Type, the Calculation Agent shall determine the application of such supplement and/or additional provisions to the Notes in accordance with section II. 5 (*Application of Settlement Matrix*).

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

"**Solvency Capital Provisions**" means any terms in an obligation which permit the relevant Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

"**Sovereign**" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including, without limiting the foregoing, the central bank) thereof.

"**Sovereign Agency**" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign thereof acting in a governmental capacity.

"**Sovereign Restructured Deliverable Obligation**" means an Obligation of a Sovereign Reference Entity (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or DC Credit Event Announcement has occurred and (b) described by the Deliverable



Obligation Category specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity and having each of the Deliverable Obligation Characteristics, if any, specified in the Settlement Matrix for the Transaction Type applicable to the Reference Entity, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Sovereign Succession Event"** means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

**"Specified Currency"** means an obligation that is payable in the currency or currencies specified as such in the Final Terms (or, if "Specified Currency" is specified and no currency is so specified, any Standard Specified Currency), provided that if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

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

**"SRO List"** means the list of Standard Reference Obligations as published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

**"Standard Reference Obligation"** means the obligation of a Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

**"Standard Specified Currency"** means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

**"Steps Plan"** means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the relevant Reference Entity, by one or more entities.

**"Subordinated Obligation"** means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of a Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the relevant Reference Entity existed.

**"Subordinated Transaction"** means, with respect to a Reference Entity, that the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation.

**"Subordination"** means, with respect to an obligation (the **"Second Obligation"**) and another obligation of a Reference Entity to which such obligation is being compared (the **"First Obligation"**), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganisation or winding-up of such Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation, or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against such Reference Entity at any time that such Reference Entity is in payment arrears or is otherwise in default under the First Obligation. **"Subordinated"** will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the relevant Reference Entity is a Sovereign and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard

Reference Obligation and “**Standard Reference Obligation**” is specified in the relevant Final Terms as applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date.

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

“**Substitute Reference Obligation**” means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall (in its sole and absolute discretion) identify the Substitute Reference Obligation in accordance with paragraphs (c), (d) and (e) of this definition of Substitute Reference Obligation to replace the Non-Standard Reference Obligation; provided that the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.
- (b) If any of the events set forth under paragraphs (i) or (iii) of the definition of Substitution Event (as set out in section II. 3.3 (*Substitution Events with respect to a Non-Standard Reference Obligation*)) have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the “Not Subordinated” Obligation Characteristic or “Not Subordinated” Deliverable Obligation Characteristic and paragraph (c)(ii) of this definition of Substitute Reference Obligation).

If the event set forth in paragraph (ii) of the definition of Substitution Event (as set out in section II. 3.3 (*Substitution Events with respect to a Non-Standard Reference Obligation*)) has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under paragraphs (i) or (iii) of the definition of Substitution Event (as set out in section II. 3.3 (*Substitution Events with respect to a Non-Standard Reference Obligation*)) occur with respect to such Non-Standard Reference Obligation.

- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
  - (i) is a Borrowed Money obligation of the relevant Reference Entity (either directly or as provider of a guarantee);
  - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
  - (iii) (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
    - (I) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation; or if no such obligation is available,
    - (II) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation;

- (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
  - (I) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - (II) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation; or if no such obligation is available,
  - (III) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation; or
- (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:
  - (I) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - (II) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - (III) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation; or if no such obligation is available,
  - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in paragraph (c) of this definition of Substitute Reference Obligation, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer in respect of the Notes, as determined by the Calculation Agent (in its sole and absolute discretion). The Calculation Agent will notify the Issuer and the Noteholders of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with paragraph (c) of this definition of Substitute Reference Obligation and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation immediately upon such notification.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation, then, subject to paragraph (a) of this definition of Substitute Reference Obligation and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with paragraph (b) of this definition of Substitute Reference Obligation, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation.

“**Substitution Date**” means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent has identified the Substitute Reference Obligation in accordance with the definition of Substitute Reference Obligation.

“**Substitution Event**” has the meaning ascribed to it in section II. 3 (*Succession and Substitution Events*).

“**Substitution Event Date**” means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

“**succeed**” means with respect to a Reference Entity and its Relevant Obligations, that an entity other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the “**Exchange Bonds or Loans**”) that are exchanged for Relevant Obligations, and in either case the relevant Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations (or such Exchange Bonds or Loans, as applicable). For purposes of the definition of Successor, “**succeeded**” and “**succession**” shall be construed accordingly.

“**Succession Date**” means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the relevant Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination pursuant to paragraph (a) of the definition of Successor would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of a Credit Event in respect of the relevant Reference Entity or any entity which would constitute a Successor.

“**Successor**” means in relation to a Reference Entity:

- (a) subject to paragraph (b) below, the entity or entities, if any, determined as follows:
  - (i) subject to clause (a)(vii) below, if one entity succeeds, either directly or as a provider of a Relevant Guarantee to 75% or more of the Relevant Obligations of the relevant Reference Entity, that entity will be the sole Successor;
  - (ii) if only one entity succeeds, either directly or as a provider of a Relevant Guarantee, to more than 25% (but less than 75%) of the Relevant Obligations of the relevant Reference Entity, and not more than 25% of the Relevant Obligations of such Reference Entity remain with such Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each succeeds, either directly or as a provider of a Relevant Guarantee, to more than 25% of the Relevant Obligations of the relevant Reference Entity, and not more than 25% of the Relevant Obligations of such Reference Entity remain with such Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor, and the Notes will be amended as described in section II. 3.2 (Multiple Successors);
  - (iv) if one or more entities each succeeds, either directly or as a provider of a Relevant Guarantee, to more than 25% of the Relevant Obligations of the relevant Reference Entity and more than 25% of the Relevant Obligations of such Reference Entity remain with such Reference Entity, each such entity and such Reference Entity will each be a Successor, and the Notes will be amended as described below;

- (v) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the relevant Reference Entity, but no entity succeeds to more than 25% of the Relevant Obligations of such Reference Entity and such Reference Entity continues to exist, there will be no Successor and such Reference Entity and the Notes will not be changed in any way as a result of such succession;
  - (vi) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the relevant Reference Entity, but no entity succeeds to more than 25% of the Relevant Obligations of such Reference Entity and such Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations each such entity, will be a Successor, and the Notes will be amended as described in section II. 3.2 (Multiple Successors)); and
  - (vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the relevant Reference Entity, and at the time of the determination either (A) such Reference Entity has ceased to exist, or (B) such Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the "**Universal Successor**") will be the sole Successor.
- (b) An entity may only be a Successor if:
- (i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;
  - (ii) the relevant Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of such Reference Entity; and
  - (iii) where the relevant Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.
- (c) In the case of an exchange offer, the determination required pursuant to paragraph (a) of this definition of Successor shall be made on the basis of the Outstanding Principal Balance of Relevant Obligations exchanged and not on the basis of the Outstanding Principal Balance of the Exchange Bonds or Loans (as defined in the definition of "succeed" in section IV. (Definitions)).
- (d) If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the relevant Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

"**Successor Backstop Date**" means for purposes of any Successor determination determined by DC Resolution, the date that is 90 calendar days prior to the Successor Resolution Request Date otherwise, the date that is 90 calendar days prior to the earlier of (i) the date on which the Successor Notice is effective and (ii) in circumstances where (A) a Successor Resolution Request Date has occurred, (B) the relevant Credit Derivatives Determinations Committee has

Resolved not to make a Successor determination and (C) the Successor Notice is delivered by the Issuer not more than fourteen calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Successor Notice"** has the meaning ascribed to it in section II. 3.1 (*General*).

**"Successor Resolution Request Date"** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to a Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Suspended Interest Amount"** has the meaning ascribed to it in section II. 1.2 (*Postponement of Interest Payments*).

**"Supranational Organisation"** means any entity or organisation established by treaty or other arrangement between two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

**"TARGET Settlement Day"** means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system 2) is open.

**"Tax Event"** means that the Issuer (a) on the occasion of a payment or delivery due under the Notes, 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.

**"Transaction Auction Settlement Terms"** means the relevant Credit Derivatives Auction Settlement Terms as determined by the Calculation Agent in its sole and absolute discretion, whether or not the Notes are covered by such Credit Derivatives Auction Settlement Terms.

**"Transaction Type"** means the transaction type applicable to a Reference Entity as specified in the relevant Final Terms.

**"Transferable"** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions: (A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); (B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or (C) restrictions in respect of blocked periods on or around payment dates or voting periods.

**"Underlying Obligor"** means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

**"Underlying Obligation"** means, with respect to a guarantee, the obligation which is the subject of the guarantee.

"**Valuation Date**" means, in respect of a Credit Event, a date chosen by the Issuer in the period from (and including) the day falling 150 calendar days following (a) the occurrence of a DC Credit Event Announcement with respect to such Credit Event or (b) if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred with respect to such Credit Event, the date the Issuer gave a Credit Event Notice to the Noteholders to (and including) the 10<sup>th</sup> Business Day following such date.

"**Valuation Final Price**" has the meaning ascribed to it in section II. 2.4.2 (*Fallback Determination of the Final Price*).

"**Valuation Time**" means at or around 11:00 a.m. in the principal trading centre for the relevant Selected Deliverable Obligation.

"**Voting Shares**" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"**Weighted Average Quotation**" means the weighted average of firm bid quotations obtained from Dealers at or around the Valuation Time, to the extent reasonably practicable, each for an amount of less than the requested Quotation Amount but in aggregate (approximately) equal to the requested Quotation Amount.

## V. Risk Factors

*An investment in the Notes involves certain risks. If one or more of the risks described below occurs, Noteholders may incur a partial or even a **total loss** of their invested capital. Potential Noteholders should be familiar with instruments having the characteristics of the Notes and credit 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 Noteholder should carefully evaluate the merits and risks of the investment in the Notes in the context of its particular financial situation and the impact the Notes 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 Notes. 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 Noteholder should, prior to a purchase of the Notes, 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 Notes (a) is fully consistent with its financial needs, objectives and conditions, (b) 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, (c) has been duly approved in accordance with all applicable laws, regulations and procedures and (d) is a fit, proper and suitable investment for it (including, without limitation, taking into account applicable selling restrictions). In addition, potential Noteholders 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 Notes.*

*References in this section of the General Terms and Conditions to "Reference Entity" or "Reference Entities" shall be deemed to be references to a Reference Entity or Reference Entities referenced by the relevant Notes.*

### 1 Specific Risk Factors relating to Credit Linked Notes

#### 1.1 Linkage to the Creditworthiness of one or more Reference Entities

The Notes differ from ordinary debt instruments in that the amount of principal and interest payable by the Issuer depends on whether a Credit Event with respect to one or more Reference Entities has occurred within the Reference Period. Possible Credit Events include Bankruptcy, Failure to Pay, Governmental Intervention, Obligation Acceleration, Obligation Default, Repudiation/Moratorium and Restructuring, as specified in the relevant Final Terms. The Issuer will only pay interest for the whole term of the Notes and redeem the Notes on the Scheduled Maturity Date at an amount equal to 100 per cent. of their Specified Denomination if no Credit Event with respect to the Reference Entity or all of the Reference Entities, as applicable, has occurred within the Reference Period. As it is not possible to predict whether a Credit Event may occur in respect of a Reference Entity, the return of the Notes is not predictable and the Notes are not capital protected.

The likelihood of the occurrence of a Credit Event with respect to a Reference Entity will generally fluctuate with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates and such fluctuations may decrease the value of the Notes even in the absence of a Credit Event. Potential Noteholders should perform a thorough review of and conduct their own investigation and analysis with respect to the creditworthiness of, and the likelihood of the occurrence of a Credit Event with respect to,



the respective Reference Entity or Reference Entities, as applicable. Actions of a Reference Entity (e.g. a merger or demerger or the repayment or transfer of indebtedness) may also adversely affect the value of the Notes.

If a Credit Event occurs with respect to the Reference Entity or one of the Reference Entities, as applicable, within the Reference Period, the relevant Notes (or, in case of Basket Credit Linked Notes, the *pro rata* principal amount of such Notes allocated to the affected Reference Entity) will (a) cease to bear interest from the Scheduled Interest Payment Date immediately preceding the date the relevant Credit Event occurred or, as the case may be, the Issue Date and (b) be redeemed at the Redemption Amount or Partial Redemption Amount, as applicable, on the Redemption Date, each as specified in the relevant Final Terms. This Redemption Amount or Partial Redemption Amount will generally be considerably lower than the Specified Denomination of the Notes (or, in case of Basket Credit Linked Notes the *pro rata* principal amount by which the amount to be paid on the Scheduled Maturity Date is reduced) and may in certain circumstances be zero.

In the worst case scenario, (a) a Credit Event occurs prior to the first Scheduled Interest Payment Date with respect to the Reference Entity or each Reference Entity, as applicable, with the result that no interest payments on the Notes will be made, and (b) the Redemption Amount is determined to be zero. In such case, the Noteholder would suffer a total loss of its initial investment.

## **1.2 Additional Risks relating to Basket Credit Linked Notes**

Noteholders of Basket Credit Linked Notes will be exposed to the credit risk of each Reference Entity contained in the underlying basket of Reference Entities. The Entity Weighting of each Reference Entity is specified in the relevant Final Terms and will be expressed as a percentage of the Specified Denomination of the relevant Notes. This percentage may be different for each such Reference Entity with the consequence that the occurrence of a Credit Event with respect to any particular Reference Entity may affect the value of the Notes to varying degrees. The greater the Entity Weighting of a Reference Entity, the greater the potential negative effect the occurrence of a Credit Event with respect to such Reference Entity will have on the Notes. In addition, the credit risk to Noteholders of Basket Credit Linked Notes may be increased as a result of, among other things, the concentration of the Reference Entities in a particular industry sector or geographic area or the exposure of the Reference Entities to similar financial or other risks.

## **1.3 Credit Events may occur prior to the Issue Date or Trade Date**

The Reference Period during which a Credit Event has to occur in order to affect the Notes negatively as described above commences prior to the Issue Date, on the Credit Linkage Start Date. The Credit Linkage Start Date may be the Credit Event Backstop Date or the Trade Date, as specified in the relevant Final Terms. Neither the Calculation Agent nor the Issuer nor any of their respective affiliates has any responsibility to avoid or mitigate the effects of a Credit Event that has occurred prior to the Credit Linkage Start Date.

## **1.4 Risk relating to Determinations by Credit Derivatives Determinations Committees**

The Credit Derivatives Determinations Committees make decisions on critical issues such as whether a Credit Event or succession or Sovereign Succession Event has occurred, which obligations are to be valued and whether an Auction to determine the Final Price should take place. Credit Derivatives Determinations Committees are committees established by ISDA for purposes of reaching certain resolutions in connection with credit derivative transactions, as more fully described in the credit derivatives determinations committee rules, as published by ISDA on its website at <http://www.isda.org> (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

Noteholders will be bound by any such decisions and will have no recourse against the Issuer, the Calculation Agent or any institutions serving on Credit Derivatives Determinations Committees in the event of any loss under the Notes arising directly or indirectly from any action, determination or resolution taken or made by any such Credit Derivatives Determinations Committee. The composition of Credit Derivatives Determinations Committees will change from time

to time, as the term of a member institution may expire or a member institution may be required to be replaced. Noteholders will have no control over the process for selecting institutions to participate on Credit Derivatives Determinations Committees and, to the extent provided for in the Product Documentation, will be bound by the determinations made by such selected institutions.

Institutions serving on the Credit Derivatives Determinations Committees and the external reviewers, among others, disclaim any duty of care or liability arising in connection with the performance of duties or the provision of advice under the rules of such Credit Derivatives Determinations Committees, except in the case of gross negligence, fraud or wilful misconduct. Furthermore, the member institutions of the Credit Derivatives Determinations Committees from time to time will not owe any duty to a Noteholder, and a Noteholder may not be in a position to bring any legal claims with respect to actions taken by such member institutions under the rules of the relevant Credit Derivatives Determinations Committees. A Noteholder should also be aware that member institutions of the Credit Derivatives Determinations Committees have no duty to research or verify the veracity of information on which a specific determination is based. In addition, the Credit Derivatives Determinations Committees are not obliged to follow previous determinations and, therefore, could reach a conflicting determination for a similar set of facts. The Issuer currently is and is likely to be in the future a member of Credit Derivatives Determinations Committees (cf. section V. 5 (*Risk Factors relating to Potential Conflicts of Interest*) below).

### **1.5 Risks relating to the Calculation of the Final Price**

Unless a fixed percentage is specified as the Final Price in the relevant Final Terms, the Redemption Amount or Partial Redemption Amount payable by the Issuer to the Noteholders following the occurrence of a Credit Event with respect to a Reference Entity will be determined by the Calculation Agent on the basis of an Auction Final Price which can be described as the Final Price applicable to credit derivatives transactions referencing such Reference Entity determined in an Auction conducted by ISDA. Generally, the lower the Final Price, the lower the Redemption Amount or Partial Redemption Amount payable to the Noteholders and the higher the financial loss to the Noteholders. The Final Price determined in such Auction may be significantly lower than the value of individual obligations of the Reference Entity which is subject to a Credit Event for a variety of reasons including, but not limited to, illiquidity of some obligations of such Reference Entity, distortions in the financial markets, technical aspects of the Auction process and prevailing market conditions at the time of the Auction.

In certain circumstances, where following a public announcement by the DC Secretary, the Calculation Agent determines that no Auction will be held to determine an Auction Final Price in respect of a Credit Event and Reference Entity or no Auction Final Price is determined by ISDA within a certain period of time (as specified in section II. 2.2.3 (*Physical Redemption*)), the Redemption Amount or Partial Redemption Amount payable by the Issuer to the Noteholders following the occurrence of a Credit Event with respect to a Reference Entity will be determined by the Calculation Agent in accordance with a fallback determination method. This determination will not be based on an Auction Final Price as described in the previous paragraph but instead on one or more quotations for certain Selected Deliverable Obligations selected by the Issuer that are linked to the affected Reference Entity which are obtained by the Calculation Agent from dealers in obligations of the type of the Selected Deliverable Obligations. There is a risk that these quotations will be below the actual market value of the Selected Deliverable Obligations. Furthermore, such quotations may be affected by factors other than the occurrence of the relevant Credit Event and may vary widely from dealer to dealer and substantially between valuation dates. In addition, the Selected Deliverable Obligations may be illiquid and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the value of such Selected Deliverable Obligations which in turn will have a negative impact on the Redemption Amount or Partial Redemption Amount payable to each Noteholder. Finally, as the Issuer is entitled to select the relevant Selected Deliverable Obligations for which quotations will be obtained in its discretion, it will likely select those Selected Deliverable Obligations that have the lowest value in the market at the relevant time (provided such obligations satisfy certain specifications and limits for qualification as Selected Deliverable Obligations). This would mean that Noteholders receive a Redemption Amount or Partial Redemption Amount which is determined based on obligations which have a lower value than other obligations of the Reference Entity which is subject to a Credit Event, thereby increasing the loss to Noteholders

## 1.6 Right of the Issuer to redeem the Notes by Physical Settlement

If following a Credit Event with respect to a Reference Entity following a public announcement by the DC Secretary, the Calculation Agent determines that no Auction will be held to determine an Auction Final Price in respect of such Credit Event and Reference Entity or no Auction Final Price is determined by ISDA within a certain period of time (as specified in section II. 2.2.3 (*Physical Redemption*)), the Issuer has the right, in lieu of redeeming or partially redeeming the Notes by cash settlement, to redeem or partially redeem the Notes by delivery of certain Selected Deliverable Obligations selected by the Issuer that are linked to the affected Reference Entity. As the Issuer is entitled to select the Selected Deliverable Obligations to be delivered in its discretion, it will likely select such Selected Deliverable Obligations that have the lowest value in the market at the relevant time (providing such obligations satisfy certain specifications and limits for qualification as Selected Deliverable Obligations) with the result that Noteholders receive obligations having a lower value than other obligations of the affected Reference Entity thereby increasing the loss to Noteholders.

Noteholders should be aware that a physical redemption of the Notes as described in the previous paragraph may also have unfavourable tax consequences. Furthermore, certain Noteholders may be prohibited or restricted from holding (whether directly or indirectly) some or all of the Selected Delivered Obligations. Neither the Issuer nor the Calculation Agent assumes any responsibility to monitor, anticipate or control whether a specific Noteholder is entitled to hold any of the Selected Deliverable Obligations or any assets delivered according to the terms of the Notes and shall not be liable for any damages that may occur due to the holding of any of such Selected Deliverable Obligations or such delivery.

## 1.7 Risk relating to the Issuer's discretion as to whether or not to serve a Credit Event Notice

In case (a) a DC Credit Event Question Dismissal has occurred with respect to a Reference Entity; (b) a DC Credit Event Question Dismissal has not occurred and there has been neither a DC Credit Event Announcement nor a DC No Credit Event Announcement with respect to such Reference Entity; or (c) the relevant event is solely an M(M)R Restructuring, an event will constitute a Credit Event only if the Calculation Agent determines that such event constitutes a Credit Event and the Issuer gives a Credit Event Notice to the Noteholders. However, the Issuer is not obliged to give such a notice, and may wait for another Credit Event to occur before giving a Credit Event Notice. If a Credit Event occurs, but the Issuer chooses to wait until the occurrence of another Credit Event, the Redemption Amount or Partial Redemption Amount relating to the subsequent Credit Event may be lower than the Redemption Amount or Partial Redemption Amount that would have been payable if it had been determined with respect to the initial Credit Event. Furthermore, Noteholders are not entitled to deliver a Credit Event Notice themselves in order to benefit from a potentially higher Final Price. Neither the Issuer nor the Calculation Agent will have any liability to any Noteholder or any other person as a result of giving or not giving a Credit Event Notice with respect to the Notes.

## 1.8 Postponement of payments of Interest or Principal

If a Potential Credit Event with respect to a Reference Entity has occurred and is continuing on a Scheduled Interest Payment Date, any payments of interest in respect of the Notes scheduled to be made on such date (or, in case of Basket Credit Linked Notes, the portion of the relevant payments of interest which relates to the *pro rata* principal amount of the Notes allocated to the affected Reference Entity) will be suspended until either a DC No Credit Event Announcement occurs, or the Calculation Agent otherwise determines that no Credit Event has occurred, with respect to the Potential Credit Event. The Issuer will not owe Noteholders additional interest or other payments by reason of any such suspension and delay and such suspension will not constitute an event of default in respect of the Issuer. If subsequent to such a suspension of payments of interest, the Potential Credit Event results in a Credit Event, no payment of the suspended interest payment(s) will be made by the Issuer.

If no Credit Event has occurred on or prior to the Scheduled Maturity Date, but the Calculation Agent determines that a Potential Failure to Pay, Potential Repudiation/Moratorium or Potential Credit Event, as applicable, has occurred with respect to a Reference Entity and is continuing on the Scheduled Maturity Date, the Scheduled Maturity Date and any

payments of principal in respect of the Notes scheduled to be made on such date (or, in case of Basket Credit Linked Notes, any payments of principal in respect of the *pro rata* principal amount of the Notes allocated to the affected Reference Entity) will be postponed until a DC No Credit Event Announcement has occurred with respect to the relevant Reference Entity (provided that such announcement occurs before an Auction Final Price has been determined or any Valuation Date or Physical Redemption Date has occurred). The Issuer will not owe Noteholders additional interest or other payments by reason of any such postponement and delay and such postponement does not constitute an event of default in respect of the Issuer. If subsequent to the postponement of the redemption of the Notes (or, in case of Basket Credit Linked Notes, any payments of principal in respect of the *pro rata* principal amount of the Notes allocated to the affected Reference Entity) the Potential Failure to Pay, Potential Repudiation/Moratorium or Potential Credit Event, as applicable, results in a Credit Event, the Issuer will redeem the Notes (or, in case of Basket Credit Linked Notes, the *pro rata* principal amount of the Notes allocated to the affected Reference Entity) at the applicable Redemption Amount or Partial Redemption Amount on the Redemption Date specified in the relevant Final Terms.

### **1.9 Time delay before Notes are actually redeemed**

Potential Noteholders should be aware that due to the mechanism used to determine the Redemption Amount or Partial Redemption Amount of the Notes (*i.e.* the use of an Auction to determine an Auction Final Price or the determination of a Valuation Final Price based on quotations for certain Selected Deliverable Obligations), there may be a considerable delay between the occurrence of a Credit Event and the redemption of the Notes. Noteholders should therefore not rely on the ability to have the Redemption Amount or Partial Redemption Amount at their disposal for such period of time.

### **1.10 Performance of the Notes differs significantly from a direct Investment in a Reference Entity or Reference Entities or debt obligations issued by it/them**

An investment in the Notes is not comparable to a direct investment in the Reference Entity or Reference Entities, as applicable, or in a debt obligation issued by such Reference Entity or Reference Entities (including its or their Reference Obligation(s)). The market value of the Notes may not have a direct relationship with the value of the obligations of the Reference Entity or Reference Entities, and changes in the value of such obligations will not necessarily result in a comparable change in the market value of the Notes. Following a Credit Event, the Redemption Amount of the Notes may be significantly lower than the residual value of a direct investment in the Reference Entity. In particular, any recoveries achieved by creditors after the determination of the Redemption Amount or Partial Redemption Amount payable to the Noteholders will not benefit holders of the Notes. As a result, the performance of the Notes may differ significantly from a direct investment in the Reference Entity or Reference Entities or in debt obligations issued by such Reference Entity or Reference Entities.

If the Final Price used to determine the Redemption Amount or Partial Redemption Amount with respect to the Notes following a Credit Event is fixed (as specified in the relevant Final Terms), it is likely that the Redemption Amount or Partial Redemption Amount, as applicable, will have no correlation to the residual value of obligations of the Reference Entity. Therefore, it is possible that the loss incurred by a Noteholder following the occurrence of a Credit Event in respect of a Reference Entity or one or more Reference Entities is significantly higher than the loss of an investor in a particular obligation of the Reference Entity.

The Notes do not represent a claim against the Reference Entity or Reference Entities, as applicable, and, in the event of any loss under the Notes, a Noteholder will have no right of recourse against any such Reference Entity or Reference Entities, nor will a Noteholder have any legal, beneficial or other interest whatsoever in the Reference Obligation or Reference Obligations. No Reference Entity is involved in the issuance of the Notes in any way and no Reference Entity has an obligation to consider the interests of the Noteholders in taking any corporate actions that might affect the value of the Notes. Any Reference Entity may, and is entitled to, take actions that will adversely affect the value of the Notes. The purchase price paid for the Notes is paid to the Issuer and not to a Reference Entity, and the Notes do not represent a direct investment in any obligation of a Reference Entity or otherwise give the Noteholders any rights in the

debt obligations of any Reference Entity. As an owner of Notes, a Noteholder will not have special voting rights or rights to receive distributions or any other rights that holders of debt obligations of the relevant Reference Entity or Reference Entities may have.

#### **1.11 Occurrence of a Credit Event does not depend on Issuer suffering any Loss**

The Issuer's obligations with respect to the Notes are independent of the existence or amount of the Issuer's and/or any of its affiliates' credit exposure to a Reference Entity and the Issuer and/or its affiliates need not suffer any loss or provide evidence of any loss as a result of the occurrence of a Credit Event.

#### **1.12 Risks relating to the Determination of Successor(s)**

Potential Noteholders should note that the Reference Entity or Reference Entities, as applicable, may change from time to time if one or more Successors are determined with respect to such Reference Entity or Reference Entities and, if more than one Successor Reference Entity is determined, the terms and conditions of the Notes may, without the consent of the Noteholders, be deemed to be amended to reflect such additional Reference Entities.

The Calculation Agent will determine any Successor(s); provided that the Calculation Agent will not make such determination if, at such time, ISDA has publicly announced that there is no Successor.

If Successor(s) are determined, this may result in an increase in the likelihood of the occurrence of a Credit Event with respect to the successor Reference Entity or Reference Entities, which may adversely affect the value of the Notes. In addition, a replacement of the Reference Entity or Reference Entities or other events may lead to the replacement of the Reference Obligation by the then relevant Standard Reference Obligation and/or, if a Non-Standard Reference Obligation has been specified in the relevant Final Terms, by a Substitute Reference Obligation. Such replacement may adversely affect the Redemption Amount payable to Noteholders should a Credit Event occur and/or the value of the Notes.

#### **1.13 No representation or warranty by the Issuer with respect to a Reference Entity**

Neither the Issuer nor any of its affiliates make or have made any representation whatsoever with respect to the Reference Entity or Reference Entities or any of its or their affiliates, any Reference Obligation or any other obligation thereof. The Issuer and its affiliates are not responsible for the Reference Entity's public disclosure of information. Potential Noteholders should obtain and evaluate any information concerning the Reference Entity or Reference Entities at least to the same extent as they would if they were investing directly in the Reference Entity or Reference Entities.

There is no guarantee, protection or assurance for purchasers of the Notes in respect of the credit or performance of the Reference Entity or Reference Entities, any Reference Obligation or any obligation thereof. Neither the Issuer nor any of its affiliates makes any representation as to the future performance of the Notes either in absolute terms or relative to other investments.

#### **1.14 Transactions with and/or via the Reference Entity or Reference Entities**

The Issuer, the Calculation Agent and any Paying Agent or any of their respective affiliates may deal in any obligations of or derivatives referencing the Reference Entity or any of the Reference Entities, as applicable, and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the Reference Entity or any of the Reference Entities or any affiliate of a Reference Entity or any other person or entity having obligations relating to a Reference Entity, and may act with respect to such business in the same manner as each of them would if the Notes did not exist, regardless of

whether any such action might have an adverse effect on a Reference Entity or the position of any Noteholder (including, without limitation, any action which might constitute or give rise to a Credit Event).

#### **1.15 Information with respect to any Reference Entity**

The Issuer, the Calculation Agent or any of their respective affiliates may have acquired, or may during the term of the Notes acquire public or non-public information with respect to the Reference Entity or Reference Entities, as applicable, that they may not disclose. Potential Noteholders must therefore make an investment decision based upon their own due diligence and purchase the Notes 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 (a) review on behalf of a Noteholder the business, financial conditions, prospects, creditworthiness, status or affairs of the Reference Entity or Reference Entities or conduct any investigation or due diligence into the Reference Entity or Reference Entities or (b) other than as may be required by applicable rules and regulations relating to the Notes, make available (i) any information relating to the Notes or (ii) any public or non-public information they may possess with respect to the Reference Entity or Reference Entities.

It is expected, however, that certain resolutions of the relevant Credit Derivatives Determinations Committee with regard to the determination of Credit Events or Successor(s) will be announced on ISDA's website <http://www.isda.org> (or any successor website thereto) from time to time. The information contained on ISDA's website does not form part of the Product Documentation. Any failure on the part of Noteholders to make themselves aware of any such resolutions will have no effect on the Issuer's rights and obligations under the Notes and the Noteholders are solely responsible for obtaining such information.

Any information with regard to the Reference Entity or any of the Reference Entities (or any Reference Obligation) contained in the Product Documentation consists of extracts from or summaries of information that is publicly available in respect of such Reference Entity (or Reference Obligation) and is not necessarily the latest information available. The Issuer accepts responsibility for accurately reproducing publicly available information with regard to the Reference Entity or any of the Reference Entities (or any Reference Obligation) in the Product Documentation. No further or other responsibility (express or implied) in respect of information relating to a Reference Entity (or Reference Obligation) is accepted by the Issuer. The Issuer makes no representation that the information with regard to a Reference Entity (or Reference Entity), any other publicly available information or any other publicly available documents regarding a Reference Entity (or Reference Entity) are accurate or complete.

There can be no assurance that all events occurring prior to the Issue Date or Trade Date of the Notes that could affect the trading price of the Reference Entity or any of the Reference Entities (and therefore the trading price and value of the Notes) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure or failure to disclose material future events concerning the Reference Entity or any of the Reference Entities could affect the trading price and value of the Notes.

#### **1.16 The Credit Risk of the Reference Entity or Reference Entities may be influenced by external Factors**

The Reference Entity or Reference Entities, as applicable, will be companies or sovereigns. In the case of a Reference Entity that is a company, its credit risk is not only expected to be significantly influenced by company-specific conditions, but also by external national and international economic developments relating to the company's industry sector and political developments. The credit risk of a Reference Entity that is a sovereign will be particularly influenced by the stability or instability of such sovereign's political and economic systems.

If the Notes are linked to one or more emerging market Reference Entities, Noteholders should be aware that the political and economic situation in countries with emerging economies or stock markets may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries, including a significant risk of currency value fluctuations. Such instability may result from,

among other things, authoritarian governments, or military involvement in political and economic decision-making, including changes or attempted changes in governments through extra-constitutional means, popular unrest associated with demands for improved political, economic or social conditions, internal insurgencies, hostile relations with neighbouring countries, and ethnic, religious and racial disaffections or conflict. Certain of such countries may in the past have failed to recognise private property rights and have at times nationalised or expropriated the assets of private companies. As a result, the risks from investing in those countries, including the risks of nationalisation or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect Reference Entities in those countries. The small size and inexperience of the securities markets in certain countries and the limited volume of trading in securities may make the relevant Reference Obligation illiquid and more volatile than investments in more established markets. There may be little financial or accounting information available with respect to Reference Entities, and it may as a result be difficult to assess the value or prospects of such Reference Entities and therefore the Notes.

### **1.17 Market and Regulatory developments**

Market and regulatory developments affecting credit derivatives transactions have in the past and may in the future lead to changes in the documentation or settlement of credit derivatives transactions. In some cases market participants may elect to apply revised terms to some or all of the existing transactions entered into between them and this might have a direct or indirect impact on, or result in changes in, the economic value of the Notes. There can be no assurance that the application of such revised terms will operate to improve the return to a Noteholder on its investment in the Notes, and they may indeed have a material and detrimental effect on such a return.

### **1.18 ISDA Definitions**

The General Terms and Conditions do not incorporate by reference the 2014 ISDA Credit Derivatives Definitions or any other definitions published by ISDA or any supplements to any such definitions ("**ISDA Definitions**") and there are material differences between the General Terms and Conditions and the ISDA Definitions. Consequently, prospective Noteholders should be aware that an investment in the Notes is not the same as investment in a credit default swap that incorporates the ISDA Definitions. In particular, there are likely to be material differences in the amounts and timing of payments under the Notes as compared with the amounts and timings of payments under a market standard credit default swap (incorporating the ISDA Definitions) referencing the same Reference Entity or Reference Entities.

## **2 Risk Factors associated with certain features of the Notes**

### **2.1 General Risks with regard to Notes with Interest Payments based on a Reference Rate**

A key difference between Notes with one or more interest payments based on a Reference Rate ("**Floating Rate Notes**") and Notes with interest payments based only on a fixed rate ("**Fixed Rate Notes**") is that the interest payments based on a Reference Rate cannot be anticipated prior to the applicable Fixing Date with respect to the Reference 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, Noteholders are not able to determine a definite yield at the time they purchase Floating Rate Notes, which means that their return on investment cannot be compared to that of investments having fixed interest rates.

Future levels of Reference 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 Reference Rate. Such factors affecting the levels of a Reference Rate may adversely affect the return (if any) on Floating Rate Notes. Depending upon the development of the Reference Rate(s), it is possible that the applicable fixing for one or more Interest Periods during the term of the Floating Rate Notes 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 Reference Rate could be as little as zero.

## **2.2 Change in methodology or discontinuance of the Reference Rate(s)**

The levels of Reference 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 can modify the calculation method for determining such level or make other changes to the methodology that could adversely affect the level of the Reference Rate. Such entity may also alter, discontinue or suspend calculation or dissemination of the Reference Rate. Such entity is not involved in the offer and sale of the Notes and has no obligation to invest therein. Finally, such entity publishing the level of a Reference Rate may take any actions in respect of the Reference Rate without regard to the interest of the Noteholders, and any of these actions could adversely affect the market value of the Notes.

Any contribution of information by the Issuer or any of its affiliates to the organization(s) determining the fixing of a Reference Rate is based on the Issuer's discretion and such view and information that the Issuer has available at such time. In contributing information to such organization the Issuer has no responsibility to take into account the interests of any Noteholder.

## **2.3 Historical Levels of the Reference Rate(s) should not be taken as Indication of Future Levels of such Reference Rate(s)**

With respect to Floating Rate Notes, the historical levels of a Reference Rate should not be taken as an indication of the future levels of such Reference Rate during the term of the Floating Rate Notes. Changes in the level of a Reference Rate may affect the value of the Floating Rate Notes, but it is impossible to predict whether the level of such Reference Rate will rise or fall.

## **2.4 The Profit Potential of the Notes may be capped**

Potential holders of Notes with a Maximum Interest Rate (as specified in the relevant Final Terms) should be aware that the profit potential in relation to such Notes is capped.

## **2.5 Risks associated with an Issuer's Call Option**

In case of Notes which provide for an Issuer call option, the Issuer is entitled to redeem the Notes in whole but not in part prior to the Scheduled Maturity Date. The Issuer is likely to exercise its call option when its cost of borrowing is lower than the yield on such Notes and/or the market credit spread of a Reference Entity is lower than the market credit spread of such Reference Entity at the Issue Date. As a result, (a) the market value of such Notes generally will not rise substantially above the optional early redemption price and (b) holders of such Notes may incur additional transaction costs as a consequence of reinvesting proceeds received upon early redemption and any such reinvestment may be on less favourable terms than the relevant Noteholder's initial investment in the Notes. If the Issuer exercises its call option, Noteholders should note that no interest payments that would otherwise have been due after the date of such early redemption will be paid and, if so specified in the applicable Final Terms, no accrued and unpaid interest as of the date of such early redemption will be paid.

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

Indices, reference rates, interests rates used as Underlying or, as the case may be, a basket component generally constitute benchmarks and as such may be subject to supervisory law regulations and reform proposals; the same applies to certain other Underlyings or, as the case may be, basket components used for the purposes of the Notes,



e.g. currency exchange rates or certain baskets (such Underlying or, as the case may be, basket component 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 or, as the case may be, basket component 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 or, as the case may be, basket component 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 or, as the case may be, basket component in accordance with the terms and conditions of the Notes. 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 Notes, 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 Notes linked to such Benchmark. In addition, fallback provisions specified in the terms and conditions of the Notes may apply or the Issuer, acting upon the advice of an Independent Advisor, may adjust the terms and conditions of the Notes 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 Notes 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 Notes.

## **2.7 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 Notes 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 Notes.

## **3 Market Risk Factors**

### 3.1 Volatility of the Value of the Notes

The market value of, and return on, the Notes 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 Notes to fall significantly and/or cause substantial volatility in the value of the Notes. These factors include, without limitation, the following:

- (a) **Credit spread and creditworthiness of the Reference Entity or any of the Reference Entities:** If the creditworthiness of the Reference Entity or any of the Reference Entities deteriorates, the credit spread of such Reference Entity generally increases, which will reduce the value of the Notes. For instance, a deterioration in the credit rating of the Reference Entity or any of the Reference Entities will most likely result in an increase in the credit spreads of such Reference Entity and thus have a negative impact on the market value of the Notes. Furthermore, if a Credit Event with respect to a Reference Entity occurs or if there is a market perception that such an event is likely to occur, the market value of the Notes is expected to fall significantly. The credit spread of a Reference Entity may also increase for a variety of other reasons, including general developments in the credit markets or political developments in the region or country such Reference Entity is located or doing business, which may not be foreseeable on the Trade Date or the Issue Date;
- (b) **Credit spread and creditworthiness of the Issuer:** In a similar way as the credit spread and the creditworthiness of the Reference Entity or any of the Reference Entities influences the market value of the Notes, the market value is also influenced by the credit spread and creditworthiness of the Issuer (cf. section V. 4.4 (*Creditworthiness of the Issuer*) below);
- (c) **Interest rates:** Changes in interest rates generally affect the market value of financial instruments such as the Notes. For instance, if interest rates rise, the market value of Fixed Rate Note and Floating Rate Notes with a cap will fall;
- (d) **Remaining time to maturity:** Generally, the longer the time-to-maturity of the Notes, the greater the impact of changes in interest rates, credit spreads and other factors on the market value of the Notes and thus the greater its volatility;
- (e) **Liquidity:** In situations where the financial markets in general or in respect of the Issuer or the Reference Entity or any of the Reference Entities become illiquid, the bid/offer spreads in financial instruments are increasing and the market value of the Notes is expected to fall;
- (f) **Supply and demand:** Supply and demand for the Notes, for obligations of or exposure to the Reference Entity or any of the Reference Entities and for obligations of or exposure to the Issuer (including inventory positions of any market maker) may impact the value of the Notes. In particular, if the supply increases and/or the demand falls, the market value of the Notes is expected to fall;
- (g) **Economic, financial, political or regulatory events or judicial decisions** that affect the Issuer, a Reference Entity or the financial markets generally.

No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Notes.

In the ordinary course of their businesses, the Issuer and its affiliates may from time to time express views on expected movements in (a) credit spreads of a Reference Entity or any of its affiliates; (b) share and bond prices related to a Reference Entity or any of its affiliates; and/or (c) foreign currency exchange rates. These views are sometimes communicated to customers of the Issuer. 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. Noteholders should derive information about the financial markets from multiple sources and should investigate the

financial markets. Noteholders 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.

Noteholders 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 Notes. Any of these activities may affect the market value of the Notes.

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

Potential Noteholders should note that there is generally no secondary market for credit linked notes 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 to notes issued by itself or an affiliate. Therefore potential Noteholders should only make an investment therein if they can hold the Notes until their maturity date and do not need to be able to sell them prior to their maturity date. Noteholders should also be aware of the circumstance that pricing information regarding the Notes may be difficult to obtain due to the non-existence of a secondary market.

In case a Noteholder is able to observe a secondary market or the Issuer chooses to provide liquidity by means of bid and/or offer prices for the Notes, even though they are under no legal obligation to do so, the spread between the bid and offer prices may vary and may in certain circumstances be significantly expanded. Consequently, if Noteholders are able to sell their Notes, 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 Noteholders.

### **3.3 Commission, Fees and other Costs affecting the value of the Notes**

The Issue Price of the Notes may include amounts in respect of certain commissions paid with respect to the distribution of the Notes, together with certain fees and 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 Notes 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, are likely to be widened as a result of the commission, fees, costs and projected profit included in the original Issue Price.

### **3.4 Secondary Market Prices differ from values of Pricing Models**

If a Noteholder receives a bid price for the Notes, 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 Noteholders which are generally based on such models, Noteholders should not assume that they will be able to dispose the Notes at prices equal or close to such valuation.

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

The Notes 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 Notes; and/or
- (b) a determination of payments under the Notes based on other parameters or information; and/or

- (c) a redemption of the Notes 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 a cash settlement or *vice versa*),

and may in turn have an adverse effect on the value of the Notes. Neither the Issuer nor the Calculation Agent has any liability *vis-à-vis* the Noteholders 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, content, composition, constitution or administrator of a rate, quote, price or other information that is required to make a determination in respect of the Notes may change. In such case, the Calculation Agent may, subject to the provisions set out in section II.1.3.3.1 (*Determination of the applicable Reference 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 Notes. Any such determination made by the Calculation Agent is binding and the Calculation Agent does not have any liability in respect thereof.

#### **4 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 company'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, thus, 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.

##### **4.1 General insolvency risk**

Each Noteholder bears the general risk that the financial situation of the Issuer could deteriorate. Unless otherwise stated in the relevant Final Terms, the Notes 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 Notes are not covered by a deposit guarantee or a compensation scheme. In case of an insolvency of the Issuer, Noteholders may, consequently, suffer a total loss of their investment in the Notes.

##### **4.2 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 (*Bankenkongress*), 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.

#### **4.3 Risk of a bail-in**

The Issuer and the Notes 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 Notes. Noteholders would have no further claim against the Issuer under the Notes. The resolution tools may, hence, have a significant negative impact on the Noteholders' rights by suspending, modifying and wholly or partially extinguishing claims under the Notes. In the worst case, this can lead to a total loss of the Noteholders' investment in the Notes.

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

#### **4.4 Creditworthiness of the Issuer**

The general perception of the Issuer's creditworthiness may adversely affect the value of the Notes. 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 Bank for International Settlements 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 UBS 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 as it is currently the case 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, 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 of the Notes;

- (l) **Operational risks:** The Issuer's operational risk management and control system 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 carry them on 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 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;
- (q) **Effect of taxes on financial results:** Any deferred tax assets the Issuer has recognized on its balance sheet in respect of prior years' tax losses are based on profitability assumptions over a defined time horizon. If the business plan earnings and assumptions in future periods substantially deviate from the current outlook, the amount of deferred tax assets may need to be adjusted in the future. This could include write-offs of deferred tax assets through the income statement if actual results come in substantially below the business plan forecasts and/or if future business plan forecasts are revised downward substantially and such write-offs could negatively affect the creditworthiness of the Issuer.

No assurance can be given with regard to the effect that any combination of risk factors may have on the creditworthiness of the Issuer and therefore the value of the Notes.

For a more detailed and comprehensive description of the above factors, Noteholders are referred to the Issuer's latest quarterly financial results accessible on the internet on website <http://www.ubs.com/global/en.html> (or any successor website thereto).

#### **4.5 Substitution of the Issuer**

Subject to certain provisions set out in the terms and conditions of the Notes having been fulfilled, the Issuer is in accordance with these General Terms and Conditions, at any time entitled, without the consent of the Noteholders, 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 Notes.

This may impact any listing of the Notes 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 Notes are listed. In addition, following such a substitution, Noteholders will become subject to the credit risk of the Substitute Issuer.

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

#### **5.1 Participation in transactions related to the Notes, receipt of information related to a Reference Entity and publication**

In the ordinary course of their businesses, the Issuer and any of its affiliates may participate in transactions including, without limitation, derivative transactions related to the Notes, the Reference Entity or any of the Reference Entities or any of its/their affiliates, for their own account or for account of a customer. Such transactions may not serve to benefit the Noteholders and may have a positive or negative effect on the value of the Notes. Furthermore, the Issuer and/or any of its affiliates may enter into hedging transactions with respect to the Reference Entity or any of the Reference Entities, their obligations or related derivatives and affiliates of the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the Notes. As a result, conflicts of interest can arise between affiliates of the Issuer, as well as between these affiliates and Noteholders, in relation to obligations regarding the calculation of the price of the Notes and other associated determinations.

Furthermore, the Issuer and its affiliates may

- (a) issue other derivative instruments relating to the Reference Entity or any of the Reference Entities or a Reference Obligation, which may negatively affect the value of the Notes;
- (b) whether by virtue of the types of relationships described herein or otherwise, at any time, be in possession of information in relation to the Reference Entity or any of the Reference Entities that is or may be material in the context of the issuance of the Notes and that may or may not be publicly available or known to the Noteholders, and the Notes do not create any obligation on the part of the Issuer or its affiliates to disclose to any Noteholder any such information (whether or not confidential);
- (c) publish research reports on the Reference Entity or any of the Reference Entities;
- (d) when holding a Reference Obligation, exercise their voting rights with respect to such Reference Obligation; and/or
- (e) engage in any kind of commercial or investment banking or other business with the Reference Entity or any of the Reference Entities 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 Noteholders and its or their actions might have an adverse effect on the position of any Noteholder. In no event shall the Issuer or any of its affiliates be liable for any loss incurred by Noteholders.

#### **5.2 Credit Derivatives Determinations Committees**



The Issuer (or any of its affiliates) may act as voting members on a Credit Derivatives Determinations Committee and as a consequence thereof, they may take certain actions that may influence the process and decisions of such Credit Derivatives Determinations Committee. Such actions may be adverse to the interests of the Noteholders and may result in an economic benefit accruing to the Issuer or its respective affiliates, as the case may be. In taking action relating to Credit Derivatives Determinations Committees, the Issuer or Calculation Agent or one of their affiliates, as the case may be, shall have no obligation to consider the interests of the Noteholders and may ignore any conflict of interest arising due to their responsibilities under the Notes.

### **5.3 Participation by the Issuer and its Affiliates in pricing, valuation or auction processes**

The Issuer and certain affiliates of the Issuer are members of ISDA and similar industry associations. In such capacity, the Issuer and such affiliates may be involved in the pricing and valuation process. Furthermore, there is a probability that the Issuer or any of its affiliates would participate as bidders in any Auction used to determine the Auction Final Price with respect to a Reference Entity, and, therefore, their actions at such an Auction may influence the Auction Final Price. In deciding whether to participate as bidders in such an Auction or in taking any action with respect to such an Auction, none of the Issuer, the Calculation Agent or any of their affiliates will be under an obligation to consider the interests of the Noteholders and each of them may ignore any conflict of interest arising due to its responsibilities under the Notes.

### **5.4 Issuer acting as Calculation Agent under the Notes**

The Issuer or one of its affiliates will act as Calculation Agent under the Notes. In performing its duties in its capacity as Calculation Agent, the Issuer (or such affiliate) may have interests adverse to the interests of the Noteholders, and this may affect the Noteholders' return on the Notes (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 Notes, such as Paying Agent and/or index sponsor (as specified in the relevant Final Terms).

### **5.5 Distributors or other entities involved in the offering or listing of the Notes**

Potential conflicts of interest may arise in connection with the Notes if a distributor placing the Notes or other entity involved in the offering or listing of the Notes 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 Notes.

### **5.6 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 Notes at a price equivalent to or below the Issue Price and below the purchase price paid by a Noteholder. A periodic fee may also be payable to the Distribution Agents in respect of all outstanding Notes 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 Notes potential conflicts of interest may arise.

### **5.7 The Issuer as major participant in the Reference Rate markets**

Potential Noteholders should note that Issuer and certain of its affiliates are regular participants in the reference rate markets and in the ordinary course of their business may effect transactions for their own account or for the account of their customers and make investments relating to Reference Rate(s) and related derivatives. Such transactions may affect the relevant Reference Rate(s), the market value or liquidity of the Notes and could be adverse to the interests of

the Noteholders. Neither the Issuer nor any of its affiliates has any duty to enter into such transactions in a manner which is favourable to the Noteholders.

## **6 Risk Factors relating to the Investment in the Notes in General**

### **6.1 The Notes are not subject to a government guarantee or government compensation or insurance scheme**

An investment in the Notes 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 Notes do not have the benefit of any government guarantee. The Notes are obligations of the Issuer only and Noteholders must look solely to the Issuer for the performance of the Issuer's obligations under the Notes. In the event of the insolvency of UBS AG, a Noteholder may lose all or some of its investment therein (*cf.* section V. 4.1 (*General insolvency risk*) above).

### **6.2 Determinations by the Calculation Agent**

The Calculation Agent has broad discretionary authority to make various determinations and adjustments under the Notes, 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 Noteholders.

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

The Settlement Currency of the Notes may not be the currency of the home jurisdiction of an investor therein. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets, which are in particular influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Therefore, fluctuations in exchange rates may adversely affect the return of the Notes in such other currency.

Where the calculation of any amount payable under the Notes involves a currency conversion, fluctuations in the relevant exchange rate will directly affect the market value of the Notes and the risk of loss may not depend solely on the behaviour of the Reference Entity or Reference Entities or the performance the Reference Rate (if any).

### **6.4 Determination of Spot Exchange Rates**

There is no centralized market for interbank foreign exchange trading. The Calculation Agent will determine, if applicable, the value of the spot rate by reference to Bloomberg, Reuters or other electronic data providers available at the relevant time or based on hedging transactions traded by the Issuer and its affiliates in the interbank foreign exchange. Due to the high volatility in foreign exchange rates, the spot rate may have been determined at a time at which it was disadvantageous to the interests of the Noteholders. Neither the Calculation Agent nor the Issuer has any obligation or responsibility *vis-à-vis* the Noteholders in this respect and the Calculation Agent will not review any other source of information on transactions in the relevant spot exchange rates.

### **6.5 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 Notes 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 Notes. The longer the remaining term until maturity or the date of redemption, as applicable, of the Notes, the greater the price fluctuations.

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

## **6.6 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 Notes will be. If the inflation rate is equal to or higher than the yield under the Notes, the real yield on the Notes will be zero or even negative. Further, the real economic value of the Redemption Amount or Partial Redemption Amount, as applicable, will be influenced by the rate of inflation and the term of the Notes. Consequently, the higher the rate of inflation and the longer the term of the Notes, the lower the real economic value of the Redemption Amount or Partial Redemption Amount, as applicable, will be.

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

When the Notes are issued or sold, several types of incidental costs, fees, commissions and profits are included in the purchase price of the Notes. Such costs, fees, commissions and profits 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 Notes; (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 Notes (including, without limitation, costs for external legal and tax advice). Such costs, fees, commissions and profits reduce the value of the Notes in the sense that a potential bid price will exclude such elements and therefore is likely to be lower than the issue price or offer price of the Notes.

## **6.8 Reinvestment Risk**

Potential Noteholders may be exposed to risks connected to the reinvestment of cash resources freed from the Notes, in particular as the result of an early redemption of the Notes. The return a Noteholder will receive depends not only on the market value of, and payments (or other benefits) to be received under, the Notes, 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 Notes.

## **6.9 Purchase of Notes on Credit**

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

## **6.10 Risks associated with the Clearing and Settlement of the Notes**

As the Notes may be held by or on behalf of Euroclear, Clearstream Frankfurt, Clearstream Luxembourg and/or SIX SIS or by or on behalf of any other relevant banking system, Noteholders will have to rely on the procedures of the relevant clearing system(s) for transfer, payment and communication with the Issuer. The Issuer will not be held liable under any circumstances for any acts and omissions of Euroclear, Clearstream Frankfurt, Clearstream Luxembourg, SIX SIS or any other relevant clearing system or for any losses incurred by a Noteholder as a result of such acts or omissions (including, without limitation, failures to pay any amounts due under the Notes or to deliver notices from the Issuer to the Noteholders).

#### **6.11 Effect of Hedging Transactions by the Issuer on the Notes**

The Issuer may use a portion of the total proceeds from the sale of the Notes for transactions to hedge the risks of the Issuer relating to the Notes. In such case, the Issuer or one of its affiliates may conclude transactions that correspond to the obligations of the Issuer under the Notes. On or before any date on which certain determinations pursuant to the terms and conditions applicable to the Notes will be made, the Issuer or one of its affiliates may take the steps necessary for closing out any such hedging transactions. It cannot, however, be ruled out that such determinations will be influenced by such hedging transactions or close-outs of such transactions. If an Early Redemption Event or a Credit 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 or Partial Redemption Amount of the Notes and thus be borne by the Noteholders.

#### **6.12 Limited Ability for Noteholders to hedge the risks of the Notes**

The ability to eliminate or to restrict the initial risks of the Notes 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 Notes. As a consequence, such transactions may be concluded at unfavourable market prices to the effect that corresponding losses may arise. Noteholders should therefore not rely on the ability to conclude transactions at any time during the term of the Notes that will allow them to offset or limit relevant risks.

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

The Notes 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 Notes. Furthermore, the Issuer has and assumes no responsibility for the lawfulness of the acquisition of the Notes by Noteholders or prospective purchasers of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for the compliance by Noteholders with any law, regulation or regulatory policy applicable to them.

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

The Issuer reserves the right to refrain from commencing the invitation to make offers regarding the Notes prior to the commencement of the subscription period (if any) or withdrawing the invitation to make offers regarding the Notes at any time during the subscription period. If the invitation to make offers regarding such Notes is withdrawn, no such purchase offers regarding the Notes will be accepted. In such case, any amounts paid by an investor to the distributor in relation to the purchase of any Notes 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 Notes issued and therefore may have a negative effect on the liquidity of the Notes.

Furthermore, in certain circumstances, the Issuer may have the right to postpone the originally designated issue date of the Notes. 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 Notes, 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.

### **6.15 Taxation**

All payments in respect of the Notes are subject to any applicable fiscal or other laws, regulations and directives. Potential Noteholders 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 Notes are transferred, the country in which the Noteholder 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 Notes.

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 Notes from a tax perspective, since the individual situation of each potential Noteholder 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 Noteholder should consult its own personal tax advisors before making any decision to purchase the Notes. The Issuer does not accept any liability for adverse tax consequences of an investment in the Notes.

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 Notes might not in the future become subject to withholding tax or other tax charges, or if the Notes are subject to withholding tax, the payments under the Notes 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 Notes, the Issuer will not gross-up such payments but may deduct such tax charges from the payment amounts. Each Noteholder therefore bears the full tax risk on the Notes.

In the Event that the Issuer

- (a) on the occasion of a payment or delivery due under the Notes, 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 Notes at the Early Redemption Amount at any time on notice to the Noteholders (*cf.* section V. 6.18 (*Early Redemption Events*) below).

## 6.16 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 Notes 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 Notes 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 Notes is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes 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 Notes, the Issuer will have no obligation to pay additional amounts or otherwise indemnify a Noteholder 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 Notes 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. **Noteholders should, consequently, be aware that payments under the Notes may under certain circumstances be subject to U.S. withholding under FATCA. Noteholders are urged to consult their own tax advisors about the possible application of FATCA to an investment in the Notes.**

## 6.17 No Reliance

The Issuer and all of its affiliates disclaim any responsibility to advise Noteholders of the risks and investment considerations associated with the purchase of the Notes as they may exist at the Issue Date of the Notes or from time to time thereafter.

Noteholders will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of the Issuer and the Reference Entity or any of the Reference Entities. None of the Issuer, the Calculation Agent or any Paying Agent or any other agent nor any affiliate of any of them (or any person or entity on their behalf) will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Noteholders with any information in relation to such matters or to advise as to the accompanying risks.

### **6.18 Early Redemption Events**

Upon the occurrence of a Change in Law, Hedging Disruption, Increased Cost of Hedging or Tax Event (as specified in the relevant Final Terms and as defined in section IV (*Definitions*)), the Issuer has the right to redeem the Notes in accordance with section II. 2.5 (*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 Noteholders will thereafter no longer be able to realise any expectations for a gain in the value of the Notes.

If the Issuer exercises such early redemption right, Noteholders 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 Notes had been outstanding until their Scheduled Maturity Date and no payments that would otherwise have been due after the date of the Early Redemption Date will be made.

### **6.19 Rating of the Notes**

A rating of the Notes, if any, may not adequately reflect all risks of the investment in the Notes. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Notes. 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.

### **6.20 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 Notes is fully consistent with its (or if it is acquiring the Notes 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 Notes as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. Without independent review and advice, an investor may not adequately understand the risks inherent with an investment in the Notes and may lose parts or all of his capital invested without taking such or other risks into consideration before investing in the Notes.

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 Notes or as to the other matters referred to above.

APPENDIX: 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.

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<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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#### 4.1.2

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.