



# UBS General Terms and Conditions for Foreign-exchange and Precious Metals-linked Structured Products

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## I. Preliminary remarks

UBS AG (the "**Issuer**") may from time to time issue foreign-exchange and precious metals-linked structured products in securitized form (each a "**Product**" or a "**Security**", together the "**Products**" or the "**Securities**"). The Products will be issued based on (i) the information set out in these General Terms and Conditions for Foreign-exchange and Precious Metals-linked Structured Products, as amended from time to time (the "**General Terms and Conditions**") and (b) the relevant final terms of each Product which shall include the information required for a simplified prospectus pursuant to article 5 CISA (the "**Final Terms**"). The General Terms and Conditions and the relevant Final Terms shall form the entire documentation for each Product (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.

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 Products in certain jurisdictions may be restricted by law. Persons who obtain possession of the Product Documentation are required to inform themselves about and to adhere to any such restrictions which are set out in more detail in section IV. (*Selling restrictions*) and in the relevant Final Terms under the section headed 'Selling Restrictions'. The Product Documentation does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Any Products purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further documentation or take any other actions relating to the Products in such jurisdiction. The selling restrictions listed in section IV. (*Selling restrictions*) and the relevant Final Terms must not be taken as definitive guidance as to whether the Products can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of the Products may apply in other jurisdictions. Investors should seek specific advice before on-selling the Products.

**These General Terms and Conditions and the Final Terms do not qualify as a prospectus published in accordance with the requirements of Directive 2003/71/EC, as amended, (the "EUPD") and are not filed with or notified to a financial supervisory authority of an EEA jurisdiction. Therefore, the Products under this Product Documentation may not be offered or sold in EEA jurisdictions other than (a) in minimum denominations of, or total consideration per investor of at least, EUR 100,000 (or equivalent in other currencies); or (b) only to Qualified Investors (as defined in the EUPD); or (c) (aggregated for all distributors) to less than 150 natural or legal persons that are not Qualified Investors (as defined in the EUPD) per EEA jurisdiction. Furthermore, the Securities under this Product Documentation have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Trading in the Securities has not been approved by the U.S. Commodity Futures Trading Commission under the U.S. Commodity Exchange Act of 1936, as amended or by the U.S. Securities Exchange Commission. The Securities may not be offered, sold or delivered, at any time, within the United States or to, or for the account or benefit of, U.S. persons. The Securities are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person.**

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

## II. Risk factors

*An investment in the Products involves certain risks. Generally, an investment in structured products involves higher risks than an investment in similar products which do not provide for any structured features. If one or more of the risks described below occurs, Securityholders may incur a partial or even a total loss of their invested capital. Potential Securityholders should be familiar with instruments having the characteristics of the Products and foreign exchange as well as precious metals markets in general and should fully understand and carefully consider the risk factors below as well as the terms and conditions set out in the Product Documentation and the nature and extent of their exposure to risk of loss. In particular, each potential Securityholder should carefully evaluate the merits and risks of the investment in the Products in the context of its particular financial situation and the impact the Products will or may 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 Products. Therefore investment decisions should not be made solely on the basis of the risk warnings set out in this section and the relevant Final Terms. Instead, each prospective Securityholder should, prior to a purchase of the Products, consult with its own legal, regulatory, tax, financial and accounting advisors to the extent necessary in order to determine whether the purchase of the Products (a) is fully consistent with its financial needs, objectives and conditions, (b) is a fit, proper and suitable investment for it (including, without limitation, taking into account applicable selling restrictions), (c) has been duly approved in accordance with all applicable laws, regulations and procedures and (d) fully complies and is consistent with all constitutional documents, investment policies, internal guidelines and policies, authorisations and restrictions (including as to its capacity and authority) applicable to it. In addition, potential Securityholders should conduct such independent investigation and analysis regarding the Issuer and all other relevant persons or entities and such market and economic factors appropriate to evaluate the merits and risks of an investment in the Products.*

### A. Risk factors associated with certain features of the Securities

#### 1. Risks associated with foreign exchange rates as underlying

##### 1.1 General risks in connection with foreign exchange rates

Foreign exchange rates can be highly volatile and are determined by factors of supply and demand in the international currency markets. These factors on the other hand are influenced by macroeconomic factors such as, without limitation, inflation rates in the respective countries, interest rate differences between the countries concerned, currency convertibility, speculation, central bank and government intervention and policy and economic forecasts. Some or all of these factors may be unpredictable and prediction made may turn out to be wrong. No reliance should be given on such predictions, even if they are provided by the Issuer, the Calculation Agent or any other Agent or any of their respective Affiliates.

As there is no centralized market for interbank foreign exchange trading, the determination of the value of the spot rate will, if applicable, be made by reference to internal market data, Bloomberg, Reuters or other electronic data providers available at the relevant time or based on hedging transactions traded by the Issuer and/or its Affiliates in the interbank foreign exchange and/or precious metals market. Due to the potentially 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 Securityholders. Neither the Issuer nor the Calculation Agent or any other Agent or any of their respective Affiliates has any obligation or responsibility *vis-à-vis* the Securityholders in this respect and the Calculation Agent will not review any other source of information on transactions in the relevant spot exchange rates.

Exchange rate fluctuations between a Securityholder's home currency and the Settlement Currency or Settlement Currencies may adversely affect Securityholders who intend to convert gains (if any) or losses

from the sale of the Products into their home currency and may eventually cause a partial loss of the relevant Securityholder's initial investment.

## **1.2 Similar risks to a direct investment in the foreign exchange rates**

Products with foreign exchange rates used as the underlying refer to a specific currency or specific currencies. Payments depend on the performance of the underlying currency(ies) and may be substantially less than the amount originally invested by the Securityholder. An investment in Products linked to foreign exchange rates as underlying may bear similar market risks to a direct investment in the relevant underlying currency(ies). Therefore, potential investors should be familiar with foreign exchange rates as an asset class. Furthermore, legal restrictions on the free exchangeability may adversely affect the value of the Products.

## **1.3 Risks related to the 24 hours a day trading of foreign exchange rates**

In cases of foreign exchange rates used as underlying it should be noted that currencies are traded 24 hours a day through the time zones of Australia, Asia, Europe and America. Potential investors of the Products should, therefore, be aware that a relevant barrier, limit or, as the case may be, threshold, if applicable, described in the relevant Final Terms of the Products, may be reached, exceeded or fallen short of at any time and even outside of local or the business hours of the Issuer, the Calculation Agent or the Lead Manager.

## **1.4 Understanding foreign exchange rates**

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

## **1.5 No systematic reporting of last-sale information for foreign currencies**

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

## **2. Risks associated with precious metals as underlying**

### **2.1 Similar risks to a direct investment in the precious metals**

An investment in Products using precious metals as underlying may bear similar risks to a direct investment in the relevant underlying precious metal(s). Precious metals (e.g. gold, silver) are traded mainly on specialised exchanges or directly among market participants (over the counter). An investment in precious metals may be associated with a greater risk than investments in e.g. bonds, currencies or stocks as prices in this asset category may be subject to greater fluctuations (volatility) as trading in precious metals may serve speculative reasons and may be less liquid than e.g. stock markets.

### **2.2 Dependence on the value of the precious metals**

The following factors (which is a non-exhaustive list) may influence precious metal prices: supply and demand; disruptions in the supply chains from mining to storage to smelting or refining; opening and closing of mines and refineries; adjustments to inventory; variations in production costs or costs associated with regulatory compliance; speculations in the financial markets; production bottlenecks; delivery difficulties; few market participants; production in emerging markets (political disturbances, economic crises); political risks (war, terrorist actions); monetary and other governmental policies, actions and inactions; fiscal, monetary and exchange control programmes; technological developments; changes in interest rates; economic uncertainty with corresponding demand for means to conserve values. These

factors interrelate in complex ways and the effect of one factor may offset or magnify the effect of another factor.

In cases of precious metals used as underlying, it should be noted that precious metals are traded 24 hours a day through the time zones of Australia, Asia, Europe and America. This may lead to a different valuation of the relevant underlying in different places. Potential Securityholders should, therefore, be aware that a relevant limit, barrier or, as the case may be, threshold, if applicable, described in the relevant Final Terms of the Products, may be reached, exceeded or fallen short of at any time and even outside of local or the business hours of the Issuer, the Calculation Agent or the Lead Manager.

### **2.3 Cartels and regulatory changes**

A number of companies or countries producing precious metals have formed organisations or cartels to control the offer and thus influence prices. On the other hand, the precious metals trade is subject to regulatory supervision or market rules the application of which may also have negative impacts on the pricing of the precious metals concerned.

### **2.4 Limited liquidity**

Many precious metals markets are not particularly liquid and may therefore not be able to react swiftly and in a sufficient manner to changes to the offer or demand side. In case of a low liquidity, speculative investments of individual market participants may result in distorted prices.

### **2.5 Political risks**

Precious metals are often extracted in emerging markets and acquired by industrialised nations. The political and economic situation of emerging markets, however, is less stable than in the industrialised nations. They are more likely to face risks of quick political change or cyclical downturns. Political crises may unsettle the confidence of Securityholders which, in turn, may affect the prices of the goods. Acts of war or conflicts may change the offer and demand sides of specific precious metals. It is also possible that industrialised nations lay an embargo on the import or export of precious metals and services which may directly or indirectly affect the price of a precious metal used as underlying of the Products.

## **3. Emerging market risks**

Investments in emerging markets should only be effected by persons who have a sound knowledge of these markets, who are well aware of and are able to weigh the diverse risks (including, without limitation, political, social and economic risks, currency, liquidity and settlement risks, regulatory and legal risks) involved and who have sufficient financial resources to bear the substantial risks associated with such investments.

Countries that fall into this category are usually considered to be "emerging" because of their developments and reforms and their economy being in the process of changing from those of a moderately developed country to an industrial country. In emerging markets, expropriation, taxation equivalent to confiscation, political or social instability or diplomatic incidents may have a negative impact on an investment in the Products. The amount of publicly available information with respect to the Underlying or any components thereof may be less than that normally made available to Investors. Transparency requirements, accounting, auditing and financial reporting standards as well as regulatory standards are in many ways less stringent than standards in industrial countries.

Although they generally record rising volumes, some emerging financial markets have much lower trading volumes than developed markets and the securities of many companies are less liquid and their prices are subject to stronger fluctuations than those of similar companies in developed markets.

## **4. Risks related to Securities with a fixed coupon**

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



## **5. Risks related to Securities issued at a discount**

Products issued at a discount from their denomination do not pay current interest. Instead of periodical interest payments, the difference between the Redemption Amount and the Issue Price constitutes interest income until maturity and reflects the market interest rate. A holder of a Product issued at a discount is exposed to the risk that the price of such Product falls as a result of changes in the market interest rate.

## **6. Risks related to Securities with a barrier feature**

If the calculation of the coupon and/or any redemption amount to be paid under a Product depends on the level of the underlying of the Product reaching, falling below or exceeding a 'barrier', 'threshold' or 'level' during a specified period or specified dates during the lifetime of the Product, the relevant coupon and/or redemption amount(s) may alter significantly depending on whether the applicable barrier, threshold or level is reached, exceeded or fallen short of (as applicable). This means that a Securityholder may receive less or, as the case may be, more if the underlying reaches, falls below or exceeds (as applicable) the relevant barrier, threshold or level than if this was not the case.

## **7. Risks related to Securities providing for a reverse structure**

Potential Securityholders should consider that Products which provide for a so-called reverse structure, as this is e.g. the case for reverse convertibles, irrespective of the other features attached to such Products or of any other factors which may be relevant for the value of the Products, depreciate in value if the price of the underlying increases. On the other hand, such Products increase in value if the price of the underlying decreases. The potential return under each Product providing for a reverse structure is, as a principal rule, limited since the negative performance of the underlying may not exceed 100 per cent.

## **8. Risks related to payments in precious metals or foreign currencies**

In case the Products provide for a payment in precious metals or foreign currencies, Securityholders should be aware that such payments may have unfavourable tax or other financial consequences. Furthermore, it may be prohibited or restricted for certain Securityholders to directly hold and/or sell any of the precious metals or foreign currencies to be delivered or paid according to the terms of the Products. Neither the Issuer nor any other Agent assumes any responsibility to monitor, anticipate or control whether a specific Securityholder is entitled to hold and/or sell any of the precious metals or foreign currencies to be delivered or paid according to the terms of the Products and shall not be liable for any damages that may occur due to the holding or on-selling of any of such precious metals or foreign currencies.

**Furthermore, any precious metals or foreign currencies to be paid or delivered to the Securityholders under the relevant Products will only be paid or delivered to Securityholders that maintain a precious metals account and/or a foreign currency account. Should the relevant Securityholder not maintain such account, neither the Issuer nor the Paying Agent will have any obligation to pay any cash amounts or deliver any substitute amount to such Securityholder in lieu of such precious metals or foreign currencies. As the physical delivery of the precious metals or foreign currencies will be effected by way of credit entry to the relevant precious metals account or foreign currency account, the respective Securityholder will be exposed to the credit and further risks relating to the relevant entity such account is held with.**

## **9. Risks related to a determination of the redemption amount based on final underlying level only**

In case of Products which provide for a determination of the redemption amount based on the level of the underlying exchange rate(s) on final valuation date or expiration date only, the relevant holders of such Products will not benefit from any movement in the level of the underlying exchange rate(s) during the term of the Products that is not reflected in the level on the final valuation date or expiration date.

## **B. Market Risk Factors**

### **1. Volatility of the value of the Securities**

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

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

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

In the ordinary course of their businesses, the Issuer and its Affiliates may from time to time express views on expected movements in the (foreign) exchange rate or rates serving as underlying of the Products or one or more of the above factors. These views are sometimes communicated to customers of the Issuer or its Affiliates. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Moreover, other professionals in the market place may at any time have significantly different views from those of the Issuer and its Affiliates. Securityholders should derive information about the financial markets from multiple sources and should investigate the financial markets. Securityholders should not rely on any views expressed by the Issuer or its Affiliates in the ordinary course of the Issuer's or its Affiliates' businesses.

The Issuer, or one or more of its Affiliates may, at present or in the future, publish research reports with respect to movements in foreign exchange rates generally or in the relevant exchange rate specifically. Securityholders should 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 Products. Any of these activities may affect the market value of the Products.

## **2. No secondary market and no or limited liquidity**

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

The Issuer or the Lead Manager, as applicable, might, subject to actual market conditions and the transaction size, provide bid prices for the Products upon request. The Issuer or the Lead Manager, as applicable, make no firm commitment to provide liquidity by means of bid prices for the Products, and assume no legal obligation to quote any such prices or with respect to the level or determination of such

prices. Potential Securityholders therefore should not rely on the ability to sell the Products at a specific time or at a specific price. Potential Securityholders should note that prices quoted typically deviate from the market value of the Products. Hence, the Securityholder might sell at a price considerably lower than the actual price of the Products at the time of its sale or the capital invested by the Securityholder. In case of a secondary market transaction, there is a possibility that costs, including taxes, related to or in connection with the Products may arise for the Securityholder that are not paid by the Issuer or imposed by the Issuer.

### **3. Effect of transaction costs and charges**

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

### **4. Secondary market prices differ from prices of pricing models and/or valuations**

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

### **5. Disruption Events**

The Products may be subject to Price Source Disruption Events, Settlement Disruption Events or FX Disruption Events, as set out in section III.B.8.1 (*Price Source Disruption Events*), section III.B.8.2 (*Settlement Disruption Events*) and section III.B.8.3 (*FX Disruption Events*) and/or the relevant Final Terms. The Calculation Agent or, as the case may be, the Issuer or the Paying Agent 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 Products; and/or
- (b) a determination of payments under the Products based on parameters or information not provided for in the Product Documentation which are applied by the Calculation Agent in its sole discretion; and/or
- (c) a redemption of the Products 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,

and may in turn have an adverse effect on the value of the Products. Neither the Issuer nor the Calculation Agent has any liability vis-à-vis the Securityholders for any losses incurred by them as a consequence of the determination that a Price Source Disruption Event or a Settlement Disruption Event has occurred.

Further, the methodology, source, content, composition, constitution or administrator of a rate, quote, price or other information that is required to make a determination in respect of the Products may change. In such case, the Calculation Agent may 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 Products. Any such determination made by the Calculation Agent is binding and the Calculation Agent does not have any liability in respect thereof.

## C. Risk factors relating to the Issuer

As a global financial services provider, the business activities, profitability and ultimately the creditworthiness of the Issuer are affected by the prevailing market situation. Different risk factors can impair the Issuer's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, the Issuer's revenues and earnings and the financial standing of the Issuer are and have been subject to fluctuations. The revenues and earnings figures from a specific period are not evidence of sustainable results and should not be used for any projections of the Issuer's financial situation and perception in the market.

### 1. General insolvency risk

Each Securityholder bears the general risk that the financial situation of the Issuer could deteriorate. Unless otherwise stated in the relevant Final Terms, the Products 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 Products are not covered by a deposit guarantee or a compensation scheme. In case of an insolvency of the Issuer, Securityholders will suffer a substantial loss or even a total loss of their initial investment in the Products. Furthermore, the deterioration of the Issuer's financial situation may lead to the Issuer becoming subject to the exercise of bail-in powers by FINMA or any other competent regulator (see section II.2 (*Restructuring or insolvency proceedings opened by FINMA*) below).

### 2. Restructuring or insolvency proceedings opened by FINMA

Pursuant to article 25 *et seq.* of the Swiss Banking Act, FINMA is able to exercise broad statutory powers to take measures and actions in relation to the Issuer (a) if there is justified concern that it is over-indebted; (b) if it has serious liquidity problems; or (c) if it fails to fulfil the applicable adequacy provisions after expiry of a deadline set by FINMA. If one of these prerequisites is met, FINMA is authorized (i) to open restructuring proceedings (*Sanierungsverfahren*); or (ii) to open liquidation (bankruptcy) proceedings (*Bankenkonkurs*); and/or (iii) impose protective measures (*Schutzmassnahmen*) in relation to the Issuer. The Swiss Banking Act grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, protective measures that may be imposed by FINMA include a broad variety of measures such as a bank moratorium (*Stundung*) or a maturity postponement (*Fälligkeitsaufschub*) and may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. In restructuring proceedings, the resolution plan may, among other things, provide for (a) the transfer of the Issuer's assets or parts thereof with assets and debt as well as contracts to another entity; (b) the conversion of the Issuer's debt or other obligations (including its obligations under the Products) into equity; and/or (c) potential haircuts on obligations of the Issuer (including its obligations under the Products).

### 3. Creditworthiness of the Issuer

The general perception of the Issuer's creditworthiness may adversely affect the value of the Products. 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 legal changes:** The Issuer's creditworthiness may be negatively affected by regulatory and/or legal 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 manage, restructure, disassemble or liquidate;
- (c) **Reputation of the Issuer:** The Issuer's reputation is critical to the success of its strategic plans. 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 position of the Issuer is measured by the Issuer's risk-weighted capital and leverage ratios and determined by the Issuer's RWA, its leverage ratio denominator and its eligible capital. RWA, leverage ratio denominator and eligible capital may fluctuate based on a number of factors. For instance, substantial market volatility, a widening of credit spread, which is a major driver of the Issuer's value-at-risk, adverse currency movements, increased counterparty risk, deterioration in the economic environment, or increased operational risk could result in a rise in RWA. The eligible capital would e.g. be reduced if the Issuer experiences losses recognized within net profit or other comprehensive income 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 macroeconomic climate:** The Issuer's business is materially affected by market and economic conditions. Adverse changes in interest rates, credit spreads, securities' prices, market volatility and liquidity, foreign exchange levels, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can adversely affect the Issuer's earnings and ultimately its financial and capital positions. A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, changes in monetary and fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events can have widespread impact well beyond the countries in which they occur;
- (f) **Legacy and other risk positions:** The Issuer holds substantial 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 other comprehensive income, invested assets, balance sheet assets, RWA and common equity tier 1 capital;
- (h) **Risk management and control processes:** Controlled risk-taking is a major part of the business of a financial services firm such as the Issuer. Some losses from risk-taking activities are inevitable, but to be successful over time, 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:** If available, the Issuer determines the fair value of a financial instrument or nonfinancial asset or liability using quoted prices in active markets for identical assets or liabilities. Where the market is not active, fair value is established using a valuation technique, including pricing models. Where available, valuation techniques use market observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar instruments in active markets, from recent prices for comparable transactions or from other observable market data. If market observable data is not available, the Issuer selects non-market observable inputs to be used in its valuation techniques. Such valuation models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on the Issuer's financial results;
- (j) **Client flows:** A net outflow of client assets in the Issuer's wealth management and asset management businesses could have a significant adverse effect on the Issuer's financial results. Such outflow could result from a number of different factors, including, but not limited to, losses of the Issuer, reputational damage, changes in applicable tax laws, the loss of client advisors, difficulty in recruiting qualified client advisors or developments concerning the Issuer's cross-border private banking business;
- (k) **Liquidity and funding management:** The viability of the Issuer's business depends on the availability of funding sources and the Issuer's success depends on its ability to obtain funding in

a way that enables the Issuer to efficiently support its asset base in all market conditions. If such funding sources become unavailable or too costly for the Issuer, this may have a direct impact on any bid price for the Products;

- (l) **Operational risks:** The Issuer's operational risk management and control systems and processes are designed to help ensure that the risks associated with the Issuer's activities, including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, 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 and inquiries. These proceedings expose or may expose the Issuer to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on the Issuer's businesses. The outcome of these matters as well as of any future matters of the same nature cannot be predicted and they could adversely affect the Issuer's future business and financial results. Furthermore, any such matters are generally public and may result in reputational damage which again may negatively impact the Issuer's business and ultimately the perception of its creditworthiness;
- (n) **Ability to identify or capture revenue or competitive opportunities, or retain and attract qualified employees:** The financial services industry is characterized by intense competition, continuous innovation, detailed (and sometimes fragmented) regulation and ongoing consolidation. The Issuer faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to the Issuer in their size and breadth. The Issuer's competitive strength and market position could be eroded if the Issuer is unable to identify market trends and developments, does not respond to them by devising and implementing adequate business strategies, is restricted by regulatory constraints which may be more severe than regulatory constraints for financial institutions outside Switzerland or is unable to attract or retain the qualified employees needed to successfully carry on its business which in turn would negatively affect the Issuer's business performance;
- (o) **Changes in accounting standards:** Changes in the accounting standards applicable to the Issuer may mean that the Issuer's reported results and financial position differ in the future from those expected, or that the Issuer's historical results differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Furthermore, such changes may affect the Issuer's regulatory capital and ratios as well as its reported results and financial position as a whole;
- (p) **Different regulatory, legal and tax regimes:** Due to the fact that the Issuer is subject to many different legal, tax and regulatory regimes, its ability to execute its global strategy depends on obtaining and maintaining local regulatory approvals. Furthermore, changes in local tax laws or regulations and their enforcement may affect the ability or the willingness of the Issuer's clients to do business with the Issuer or the viability of the Issuer's strategies and business models.

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

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

## **D. Risk Factors relating to potential conflicts of interest**

### **1. Participation in transactions related to the Securities**

In the ordinary course of its business, the Issuer and any of its Affiliates may participate in transactions including, without limitation, derivative transactions which may affect the Products in some way, for their own account or for account of a customer. Furthermore, the Issuer and/or any of its Affiliates may enter

into transactions which hedge any exposure the Issuer may have stemming from the Products. Any such transaction may adversely affect the value, performance, liquidity, cash flows or any other aspect of the Products. As a result, conflicts of interest may arise between Affiliates of the Issuer, as well as between these Affiliates or the Issuer and the Securityholders. The Issuer or any of its Affiliates will not take into account the interests of the Securityholders and will act in such a way as if the Products were not existing.

Furthermore, the Issuer and its Affiliates may

- (a) issue, market or sell other financial instruments, the introduction of which may negatively affect the value, performance, liquidity, cash flows or any other aspect of the Products;
- (b) whether by virtue of the types of relationships described herein or otherwise, at any time, be in possession of information that is or may be material in the context of the Products and that may or may not be publicly available or known to the Securityholders, and the Products do not create any obligation on the part of the Issuer or its Affiliates to disclose to any Securityholder any such information (whether or not confidential);
- (c) publish research reports which may relate to any aspect or feature of the Products,

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

## **2. Issuer acting as Calculation Agent under the Securities**

The Issuer or one of its Affiliates will act as Calculation Agent under the Products. In performing its duties in its capacity as Calculation Agent, the Issuer (or such Affiliate) may have interests adverse to the interests of the Securityholders, and this may adversely affect the value, performance, liquidity, cash flows or any other aspect of the Products and ultimately the Securityholders' return on the Products (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 Products, such as Lead Manager and/or Paying Agent (as specified in the relevant Final Terms).

## **3. Distributors or other entities involved in the offering of the Securities**

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

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

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

## **E. Risk Factors relating to the investment in the Securities in general**

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

An investment in the Products 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 Products do not have the benefit of any government guarantee. The Products are obligations of the Issuer only and Securityholders must look solely to the Issuer for the performance of the Issuer's obligations under the Products. In the event of the insolvency of the Issuer, a Securityholder may lose all or some of its investment therein (see section II.1 (*General insolvency risk*) above).

## **2. Clearing and transfer of the Securities is subject to limitations**

In case the Products are to be issued in the form of uncertificated securities (*Wertrechte*), they exist as book entries with an UBS-internal Valor number. During their lifetime, such Products will be booked at UBS or UBS Switzerland AG only. This means that the relevant Products can only be transferred to a purchaser holding a securities account at UBS or UBS Switzerland AG and that no external clearing is possible.

## **3. Determinations by the Calculation Agent**

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

## **4. Amendments of Product Documentation without consent of the Securityholders**

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

## **5. Possible exposure to exchange rate risks**

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

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

## **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 Products will be. If the inflation rate is equal to or higher than the yield under the Products, the real yield on the Products will be zero or even negative. Further, the real economic value of the redemption amount will be influenced by the rate of inflation and the term of the Products. Consequently, the higher the rate of inflation and the longer the term of the Products, the lower the real economic value of the redemption amount will be.

## **7. Reinvestment risk**

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

## **8. Cashflow risk**

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

## **9. Settlement risk**

In case of technical errors or due to other reasons, payments, deliveries or communications under the Products may be delayed or may not occur. The Issuer does not take any responsibility for any technical



errors, misconduct or failures due to any other reasons of a clearing system or any other third party and for any losses incurred by a Securityholder as a result of such failures (including, without limitation, failures to pay any amounts or deliver any asset(s) due under the Products or to deliver notices from the Issuer to the Securityholders).

#### **10. No capital protection**

The Products issued under these General Terms and Conditions are not capital protected, *i.e.* the Products may be redeemed at an amount less than their respective Denomination. Accordingly, when investing in the Products, the Securityholders may incur a total loss of their invested capital.

#### **11. Historical performance should not be taken as indication for future performance**

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

#### **12. Investing in the Securities is not the same as investing in the Underlying**

Securityholders should be aware that an investment in the Products is not equivalent to investing directly in the exchange rate or rates serving as underlying of the Products. Changes in the level of the underlying exchange rate(s) may not necessarily lead to a comparable change in the market value of the Products. As a result, the performance of the Products may differ significantly from a direct investment in the underlying exchange rate(s).

#### **13. Purchase of Securities on credit**

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

#### **14. Effect of hedging transactions by the Issuer on the Securities**

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

#### **15. Limited ability for Securityholders to hedge the risks of the Securities**

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

## 16. Change of law and legality of purchase

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

## 17. Taxation

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

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 Products from a tax perspective, since the individual situation of each potential Securityholder must also be taken into account. Thus, the considerations regarding taxation contained in the Product Documentation do not constitute any sort of material information or tax advice nor are they in any way to be construed as a representation or warranty with respect to specific tax consequences and each Securityholder should consult its own personal tax advisors before making any decision to purchase the Products. The Issuer does not accept any liability for adverse tax consequences of an investment in the Products. 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 Products might not in the future become subject to withholding tax or other tax charges, or if the Products are subject to withholding tax, the payments under the Products 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 Products, neither the Issuer nor any Paying Agent or any other person will gross-up such payments but may deduct such tax charges from the payment amounts. Each Securityholder therefore bears the full tax risk on the Products.

In the event that the Issuer

- (a) on the occasion of a payment or delivery due under the Products, 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 Products at the Early Redemption Amount at any time on notice to the Securityholder (see section III.B.2.2 (*Extraordinary Termination*) below).

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

The Foreign Account Tax Compliance Act ("**FATCA**") generally imposes a 30% U.S. withholding tax on payments of certain U.S. source interest, dividends and certain other fixed or determinable annual or periodical income, on the gross proceeds from the sale, maturity, or other disposition of certain assets after 31 December 2018 and on certain "foreign passthru payments" made after 31 December 2018 (or, if later, the date that final regulations defining the term "foreign passthru payments" are published) made to certain foreign financial institutions (including most foreign hedge funds, private equity funds and other investment vehicles) unless the payee foreign financial institution agrees to disclose the identity of any U.S. individuals and certain U.S. entities that directly or indirectly maintain an account with, or hold

debt or equity interests in, such institution (or the relevant affiliate) and to annually report certain information about such account or interest directly, or indirectly, to the IRS (or to a non-U.S. governmental authority under a relevant Intergovernmental Agreement entered into between such non-U.S. governmental authority and the United States, which would then provide this information to the U.S. Internal Revenue Service ("IRS")). FATCA also requires withholding agents making certain payments to certain non-financial foreign entities that fail to disclose the name, address, and taxpayer identification number of any substantial direct or indirect U.S. owners of such entity to withhold a 30% tax on such payments.

Accordingly, the Issuer and other foreign financial institutions may be required under FATCA to report certain account information about holders of the Products directly to the IRS (or to a non-U.S. governmental authority as described above). Moreover, the Issuer may be required to withhold on a portion of payments made on the Products to (i) holders who do not provide any information requested to enable the Issuer to comply with FATCA, or (ii) foreign financial institutions who fail to comply with FATCA.

Securityholders holding their Products through a foreign financial institution or other foreign entity should be aware that any payments under the Products may be subject to 30% withholding tax under FATCA. If an amount in respect of such withholding tax under FATCA were to be deducted or withheld from payments on the Products, none of the Issuer, any Paying Agent or any other person would, pursuant to the conditions of the Products, be required to pay additional amounts as a result of the deduction or withholding of such tax. **Securityholders should, consequently, be aware that payments under the Products may under certain circumstances be subject to U.S. withholding under FATCA and should consult with their tax advisors regarding the application of withholding tax under FATCA in respect of their acquisition and ownership of the Products.**

## 19. Early Termination Events

Upon the occurrence of a Change in Law, Tax Event, Extraordinary Market Disruption, Illegality/Impracticability, Hedging Disruption or Increased Costs of Hedging (as specified in the relevant Final Terms and defined in section III.A. (*Definitions*)), the Issuer may have the right to redeem the Products in accordance with section III.B.2.2 (*Extraordinary Termination*) and the provisions set out in the relevant Final Terms. In the event an Early Termination Event occurs and the Issuer exercises such early redemption right, the Securityholders will thereafter no longer be able to realise any expectations for a gain in the value of the Products or a return from the Products. Securityholders should be aware that the Early Redemption Amount is dependent on then prevailing market conditions and may therefore be considerably less than the expected redemption amount if the Products had been outstanding until their scheduled maturity date and no payments that would otherwise have been due after the Early Termination Date will be made. In particular, the amount to be received by the Securityholders will be reduced by any costs and/or losses incurred by the Issuer and/or the Calculation Agent as a result of occurrence of the relevant Early Termination Event.

## 20. No reliance

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

Securityholders 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. None of the Issuer, the Calculation Agent, the Lead Manager or the 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 Securityholders with any information in relation to such matters or to advise as to the accompanying risks.

## 21. Provision of information

The Issuer, the Calculation Agent or any of their respective Affiliates may have acquired, or may during the term of the Products acquire public or non-public information with respect to the exchange rate or rates serving as underlying of the Products that they may not disclose. Potential Securityholders must therefore make an investment decision based upon their own due diligence and purchase the Products with the knowledge that any public or non-public information that the Issuer, the Calculation Agent or

any of their respective Affiliates may have will not be disclosed to them. None of the Issuer, the Calculation Agent or any of their respective Affiliates is under any obligation to make available (a) any information relating to the Products other than as may be required by applicable rules and regulations relating to the Products; or (b) any public or non-public information they may possess with respect to the exchange rate(s) serving as underlying of the Products.

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

There can be no assurance that all events occurring prior to the Pricing Date or the Issue Date of the Products that could affect the trading price of the underlying exchange rate(s) to which the Products relate (and therefore the trading price and value of the Products) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure or failure to disclose material future events concerning the exchange rate(s) serving as underlying of the Products could affect the trading price and value of the Products.

## **22. Rating of Securities**

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

### III. Terms and conditions

#### A. Definitions

In these General Terms and Conditions:

**"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.

**"Alternative Currency"** means the alternative currency specified in the relevant Final Terms.

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

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

**"Breakage Costs"** means the amount of losses or costs of the Issuer that are or would be incurred following the occurrence of an Early Termination 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 Products but for the occurrence of the Early Termination Event.

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

**"Business Day Convention"** means the business day convention specified in the relevant Final Terms and described in section III.B.7 (*Adjustments in accordance with Business Day Convention*), provided that if the first and/or last day of a period in respect of which a Coupon Amount or Maximum Return Amount (as applicable) 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 Coupon Amount or Maximum Return Amount payable under the Products), 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" nor "Unadjusted") is specified in the relevant Final Terms, be adjusted in accordance with the applicable 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 Pricing Date (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 Products 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 Products (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 (if any).

**"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.

"**Coupon Amount**" means the coupon amount specified in the relevant Final Terms (if applicable).

"**Coupon Rate**" means the coupon rate specified in the relevant Final Terms (if applicable).

"**Day Count Fraction**" means the day count fraction specified in the relevant Final Terms which shall be calculated by the Calculation Agent 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 Redemption Date and the Redemption 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).

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

"**Disruption Event**" means a Price Source Disruption Event, Settlement Disruption Event or FX Disruption Event.

"**Early Redemption Amount**" means, in respect of each Product, an amount in the Settlement Currency or Settlement Currencies to be determined by the Calculation Agent on the basis of the fair market value of the Products (including any accrued but unpaid interest) less any Breakage Costs, determined by the Calculation Agent eight (8) Business Days prior to the Early Termination Date.

"**Early Termination Date**" has the meaning ascribed to it in section III.B.2.2 (*Extraordinary Termination*).

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

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

"**EUPD**" has the meaning ascribed to it in section I. (*Preliminary remarks*).

"**EUR**" means euro, the single currency of the participating member states of the European Union.

"**Expiration Date (and Time)**" means the expiration date (and time) of the Products specified in the relevant Final Terms.

"**Extraordinary Market Disruption**" means the occurrence of an extraordinary event or circumstance on or after the Pricing Date, including without limitation, any legal enactment (domestic or foreign), the intervention of a public authority (domestic or foreign), a natural disaster, an act of war, strike, blockade, boycott or lockout or any other similar event or circumstance which the Issuer determines has prevented it from performing its obligations, in whole or in part, under the Products.

"**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.

"**Fitch**" means Fitch Ratings Limited (and any successor thereto).

"**FTA**" means the Swiss Federal Tax Administration (*Eidgenössische Steuerverwaltung*).

"**FX Disruption Event**" means the occurrence (in the reasonable determination of the Calculation Agent) of any of the following events: (a) a relevant currency ceases to exist and is replaced by a new currency in a relevant jurisdiction; (b) a relevant FX Rate splits into dual or multiple currency exchange rates; (c) it is or becomes or is likely to become impossible or impracticable for the Issuer to obtain any currency or obtain or use a FX Rate in an appropriate amount; (d) any event that makes it or is likely to make it impossible and/or impracticable for the Issuer to convert one relevant currency into another through customary legal channels (including, without limitation, any event that has the direct or indirect effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency); and/or (e) any event in or affecting any relevant jurisdiction that makes it or is likely to make it impossible and/or impracticable for the Issuer to deliver any relevant currency into a relevant account.

"**FX Rate**" means each rate specified as underlying foreign exchange rate in the relevant Final Terms which, unless otherwise specified in such Final Terms, shall be the exchange rate of one currency for another currency expressed as a number of units of one currency per one unit of the other relevant currency.

"**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 or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a relevant jurisdiction.

"**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 Products, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

"**Illegality/Impracticability**" means that the performance of any of the Issuer's obligations under the Products has become, or there is a substantial likelihood that it will become, illegal or impracticable, in whole or in part, as a result of (a) any change in financial, political or economic conditions or foreign exchange rates, or (b) compliance by the Issuer or any of its Affiliates with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative or judicial authority or power or in interpretation thereof.

"**Increased Cost of Hedging**" means that the Issuer would incur a materially increased (as compared with circumstances existing on the Pricing 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 Products, 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.

"**IRS**" has the meaning ascribed to it in section II.18 (*Risks relating to U.S. Foreign Account Tax Compliance Withholding*).

"**Investment Currency**" means the investment currency specified in the relevant Final Terms.

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

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

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

"**JPY**" means Japanese yen.

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

"**Maximum Return Amount**" means the maximum return amount specified in the relevant Final Terms (if applicable).

"**Maximum Return Rate**" means the maximum return rate specified in the relevant Final Terms (if applicable).

"**Moody's**" means Moody's Investors Service Ltd. (and any successor thereto).

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

"**Price Source Disruption Event**" has the meaning ascribed to it in section III.B.8.1 (*Price Source Disruption Events*).

"**Pricing Date**" means the pricing date of the Products specified in the relevant Final Terms.

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

"**Products**" or "**Product**" has the meaning ascribed to it in section I. (*Preliminary remarks*).

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

"**Redemption Date**" means the redemption date of the Products specified in the relevant Final Terms.

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

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

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

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

"**Settlement Currency/-ies**" means the currency or currencies used for the payment of the Issue Price, any Redemption Amount or any other amount as specified in the relevant Final Terms.

"**Settlement Disruption Event**" has the meaning ascribed to it in section III.B.8.2 (*Settlement Disruption Events*).

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

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

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

"**USD**" means the lawful currency of the United States of America.

## **B. Terms and conditions**

### **1. Coupon Rate / Maximum Return Rate**

Unless otherwise stated in the relevant Final Terms, each coupon bearing Product or Product providing for a Maximum Return Rate provides for a coupon or a maximum return, as applicable, at the applicable Coupon Rate or Maximum Return Rate on its Denomination (as specified as applicable in the relevant Final Terms) from and including the Issue Date to but excluding the Redemption Date. Unless otherwise stated



in the relevant Final Terms, the payment of the Coupon Amount or the Maximum Return Amount, as the case may be, in respect of each Product will be made in arrears on the Redemption Date.

## 2. Redemption

### 2.1 Final redemption

Unless the Final Terms provide otherwise and unless the Products have been redeemed prior to the Redemption Date, each Product shall be redeemed by the Issuer on the Redemption Date by payment of a cash amount and/or, as the case may be, delivery of a number of underlyings equal to the Redemption Amount, in each case as specified in the relevant Final Terms.

### 2.2 Extraordinary Termination

If an Early Termination Event as specified in the Final Terms occurs (such as, without limitation, a Change in Law, Tax Event, Extraordinary Market Disruption, Illegality/Impracticability, Increased Costs of Hedging or Hedging Disruption), the Issuer may redeem each Product at any time prior to the Redemption Date at its Early Redemption Amount, by giving a notice to the Securityholders.

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

## 3. Default interest

If the Issuer for any reason (other than due to the occurrence of a Price Source Disruption Event pursuant to section III.B.8.1 (*Price Source Disruption Events*), a Settlement Disruption Event pursuant to section III.B.8.2 (*Settlement Disruption Events*) or an FX Disruption Event pursuant to section III.B.8.3 (*FX Disruption Events*)) fails to render any payment in respect of the Products when due, interest shall accrue at a default rate of 2.00 per cent. per annum on the due amount from and including the due date to but excluding the day on which such payment is made by the Issuer in accordance with section III.B.6 (*Payments and deliveries*).

## 4. Form of Securities

The Products 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. If the Products are to be issued in the form of uncertificated securities, the Issuer will keep a register of uncertificated securities (*Wertrechtbuch*) that specifies the number and denomination of the uncertificated securities as well as their first holders. The register of uncertificated securities is not available to the public and the relevant uncertificated securities may only be transferred by means of a written assignment.

In both cases, the Issuer reserves the rights to deposit the global notes with or enter the uncertificated securities 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 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 depository, including UBS AG and UBS Switzerland AG, eligible for the role of an intermediary pursuant to article 4 FISA, for the purpose of depositing global notes or registering uncertificated securities. As long as the Products are intermediated securities, they may only be transferred and otherwise disposed of in accordance with the provisions of the FISA (i.e. by entry of the Products to be transferred in a securities account of the transferee) and the holders of the Products will be the persons holding the Products in such securities account in their own name and for their own account.

If the Products are issued as uncertificated securities, the Securityholders shall at no time have the right to effect or demand the conversion of these 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 Products.

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

## 5. Status of the Securities / Classification

Unless otherwise stated in the relevant Final Terms, the obligations under the Products 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 Products do not represent a participation in any of the collective investment schemes pursuant to article 7 *et seq.* CISA and thus do not require an authorisation of the FINMA. Therefore, Securityholders are not eligible for the specific investor protection under the CISA. Furthermore, the Products 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 Products.**

## 6. Payments and deliveries

All payments in respect of the Products shall be made, subject to applicable fiscal and other laws and regulations, in the Investment Currency and/or the Alternative Currency, as set out in the relevant Final Terms, for credit to the account or accounts of the respective Securityholder. The delivery of any asset(s) in respect of the Products will be affected to the order of the relevant Securityholder and ultimately be credited to such Securityholder's securities account. All expenses, including but not limited to, any depository charges, levies, registration, transaction or exercise charges, stamp duties, stamp duty reserve taxes and/or other taxes or duties (together the "**Delivery Expenses**") arising from the delivery of such asset(s) shall be for the account of the relevant Securityholder and no delivery and/or transfer of the asset(s) in respect of a Product shall be made until all Delivery Expenses have been discharged to the satisfaction of the Issuer by the relevant Securityholder.

Any precious metals or foreign currencies to be paid or delivered to the Securityholders under the relevant Products will only be paid or delivered to Securityholders that maintain a precious metals and/or a foreign currency account. Should the relevant Securityholder not maintain such account, neither the Issuer nor the Paying Agent will have any obligation to pay any cash amounts or deliver any substitute amount to such Securityholder in lieu of such precious metals or foreign currencies.

## 7. Adjustments in accordance with Business Day Convention

If a date set out in the Final Terms (including, without limitation, the Expiration Date and the Redemption Date) falls on a day which is not a Business Day then (unless otherwise specified and subject to the definition of "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.

## **8. Disruption Events**

### **8.1 Price Source Disruption Events**

In case the relevant FX Rate under the Products or any other price or information that is required to make a determination with respect of the Products is not observable from the relevant source or sources due to the fact that such source(s) is/are unavailable by reason of an unscheduled bank closure, IT system disruption or the occurrence of any other disruption event, as reasonably determined by the Calculation Agent (each such event, a "**Price Source Disruption Event**"), the Calculation Agent may (a) use such other source(s) that are under the then prevailing circumstances available and/or (b) postpone the determination in question until such time as the relevant information becomes available again (but not for more than 20 Business Days following the occurrence of such Price Source Disruption Event).

In case of a postponement of the relevant determination as described above, the Redemption Date (and the respective payments under the Products) may be postponed up to the date falling three (3) Business Days after the date on which the relevant information becomes available again. If on the twentieth Business Day following the occurrence of the Price Source Disruption Event the relevant information is not available (because neither the original nor an alternative source exists or is accessible), the Calculation Agent shall determine the relevant information in its reasonable discretion. If a Price Source Disruption Event leads to a postponement of the Redemption Date, no default interest or other additional payment shall become payable by the Issuer and such postponement shall not constitute an event of default in respect of the Issuer.

If the methodology, content, composition, constitution or administrator of a rate, quote, price or other information that is required to make a determination in respect of the Products changes, the Products shall be deemed to reference such rate, quote, price or other information as the Calculation Agent reasonably determines 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. Any actions according to section III.B.8.3 (*FX Disruption Events*) remain reserved.

### **8.2 Settlement Disruption Events**

In case an event beyond the control of the Issuer and/or the Paying Agent occurs as a result of which the Issuer and/or the Paying Agent cannot or is not allowed to make (a) a payment and/or (b) delivery of one or more asset(s), in each case to the Securityholders, the relevant Clearing System or intermediary as and when such payment or delivery is due to be made (each such event, a "**Settlement Disruption Event**") and if such event is continuing on a date on which a payment or delivery is due to be made, such payment or delivery shall be postponed to the first Business Day following the day on which the Settlement Disruption Event ceases to continue. Any such postponement of payment or delivery due to a Settlement Disruption Event shall not constitute a default by the Issuer and the Securityholders shall not be entitled to any default interest or other additional payment due to such postponement of payment or delivery. Where a Settlement Disruption Event affects some but not all of the relevant assets that are due to be delivered or payments that are due to be made, the payments or delivery of the assets not affected by the Settlement Disruption Event will be unadjusted and the due date with respect to such assets or payments shall be the originally designated due date.

Notwithstanding the above, following the occurrence of a Settlement Disruption Event, the Issuer may elect in its sole and absolute discretion but in accordance with established market practice to satisfy and discharge its obligations in respect of the relevant Products in such way as it is reasonably practicable in lieu of a settlement as described above.

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

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

### **8.3 FX Disruption Events**

In case one or more FX Disruption Events occur at any time and if such event or events is/are continuing on a date on which a valuation, payment or delivery is due to be made, the Issuer may, in its reasonable discretion, (a) deduct from the relevant payment or delivery to be made under the Products an amount calculated by the Calculation Agent as representing a cost, expense, charge and/or deduction arising in connection with such FX Disruption Event(s) or make any other adjustment with respect thereto; and/or (b) adjust any Expiration Date and Time, Redemption Date or Early Termination Date and/or any other date for payment of any amount or delivery of any asset under the Products or calculation thereof; and/or (c) specify and adopt (i) an appropriate alternate fall-back or alternative price or rate source or method of determination selected by the Calculation Agent (which may or may not be by reference to dealer poll or such other publication page or service as may replace the relevant page or service for the purpose of displaying a currency exchange rate comparable or equivalent to the relevant FX Rate) or (ii) a replacement of any one or more relevant currencies, as the case may be; and/or (d) treat the relevant FX Disruption Event(s) as if an Early Termination Event had occurred in respect of the Products for the purposes of exercising any applicable rights under the relevant Final Terms.

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

### **8.4 Postponement of Redemption Date**

In case the scheduled Expiration Date is postponed following the occurrence of a Disruption Event, the Redemption Date shall be postponed by five (5) Business Days or such other number of days as set out in the relevant Final Terms.

## **9. Corrections to foreign exchange rates**

If (a) a FX Rate used by the Calculation Agent to determine (i) any amount payable under the Products or (ii) whether a limit, barrier or, as the case may be, threshold, as applicable, has been reached, exceeded or fallen short of is based on information published or announced by any financial information service provider and (b) such financial information service provider subsequently corrects such information within one hour of the original publication or announcement of such information, the Calculation Agent may recalculate such amount payable under the Products using such corrected information.

Notwithstanding the preceding paragraph, if (a) a FX Rate used by the Calculation Agent to determine (i) any amount payable under the Products or (ii) whether a limit, barrier or, as the case may be, threshold, as applicable, has been reached, exceeded or fallen short of is based on information published or announced by any Governmental Authority and (b) such Governmental Authority subsequently corrects such information within five (5) calendar days of the original publication or announcement of such information but in any event two (2) Business Days prior to the date on which such amount is to be paid, the Calculation Agent may recalculate such amount payable under the Products using such corrected information.

## **10. Taxation**

Each Securityholder shall assume and be responsible for any and all taxes, duties, fees and charges imposed on or levied against (or which could be imposed on or levied against) such Securityholder in any jurisdiction or by any Governmental Authority or regulatory authority. Neither the Issuer nor any other Agent is obliged to gross up any payments in respect of the Products and shall have the right, but not the obligation, to withhold or deduct from any amounts payable to the Securityholders such amount as is necessary for the payment of any such taxes, duties, fees and/or charges. In case any Governmental Authority or regulatory authority imposes on the Issuer the obligation to pay any such taxes, duties, fees and/or charges, the Securityholder shall promptly reimburse the Issuer.

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

## 11. Events of Default

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

- (a) there is a default for more than 30 calendar days in the payment of any principal or interest due in respect of the Products; or
- (b) an order is made by any competent court or other competent authority in any jurisdiction or any resolution is passed by the Issuer for (i) the dissolution or winding-up of the Issuer, or (ii) for the appointment of a liquidator, receiver or administrator of the Issuer or of all or a substantial part of the assets of the Issuer, or (iii) with analogous effect for the Issuer, it being understood that anything in connection with a solvent reorganisation, reconstruction, amalgamation or merger shall not constitute an event of default; or
- (c) the Issuer admits in writing its general inability to pay its debts as they fall due or otherwise acknowledges its insolvency,

it being understood, however, that any postponement or other action taken pursuant to and in accordance with section III.B.8.1 (*Price Source Disruption Events*), section III.B.8.2 (*Settlement Disruption Events*) or section III.B.8.3 (*FX Disruption Events*) does not constitute an Event of Default pursuant to this section III.B.11.

## 12. Prescription

In accordance with Swiss law, claims for payments in connection with the Products 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.

## 13. Agents

### 13.1 Appointment

The 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:

#### **Paying Agent:**

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

or

UBS Switzerland AG  
Bahnhofstrasse 45  
CH-8001 Zurich

#### **Calculation Agent:**

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

or

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

or

UBS AG, acting through its London Branch  
5 Broadgate  
GB-London EC2M 2OS

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

### 13.2 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 at all times maintain a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 15 nor more than 45 days' prior notice thereof has been given to the Securityholders.

### 13.3 Agent of the Issuer

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

## 14. Substitution of the Issuer

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

- (a) the Substitute Debtor shall assume all obligations that the Issuer owes to the Securityholders under or in relation to the Products 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 Products in place of the Issuer; and
- (b) (i) such Substitute Debtor shall at all times after such substitution have a credit rating equivalent to or better than the Issuer or (ii) the Issuer irrevocably and unconditionally guarantees in favour of each Securityholder the payment of all sums payable by the Substitute Debtor as principal debtor.

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

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

In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be responsible or liable for any consequences (including, but not limited to, any tax consequences) suffered by individual Securityholders as a result of the exercise of such right and, accordingly, no Securityholder shall be entitled to claim from the Issuer any indemnification or repayment with respect of any consequence whether direct or indirect.

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

## 15. Determinations, calculations, rounding and time

Unless otherwise specified in the relevant Final Terms or these General Terms and Conditions, any determination, calculation, quotation or decision made by the Calculation Agent shall be made in its sole discretion having regard to standard market practices, provided such determination, calculation, quotation or decision is made in good faith and in a commercially reasonable manner. All certificates,

communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for the purposes of this General Terms and Conditions or the relevant Final Terms shall (in the absence of proven or manifest error) be final and binding on the Issuer, any Agent and the Securityholders.

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

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

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

## **16. Further issuances and purchases of Securities by the Issuer**

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

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

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

## **17. Notices**

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

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

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

Unless otherwise stated in the relevant Final Terms, all notices in connection with the Products and any changes with regard to the terms of the Products shall be validly given by publication on the internet on website <http://www.ubs.com/quotes> and, for clients outside the United Kingdom, on website <http://www.ubs.com/keyinvest> (or any successor websites thereto). Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of the first such publication).

The Issuer may, in lieu of a publication pursuant to the paragraph above, deliver the relevant notices to the relevant Clearing System(s), for communication by the Clearing System(s) to the Securityholders. Any such notice shall be deemed to have been given to the Securityholders on the day on which the said notice was given to the Clearing System(s).

## **18. Severability and amendments**

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

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

- (a) are of a formal, minor or technical nature; or
- (b) are made to correct or supplement any defective provisions of the relevant Final Terms or these General Terms and Conditions; or
- (c) are made to cure any uncertainty or ambiguity; or
- (d) are made to cure a manifest or proven error; or
- (e) are made to correct an error or omission if, in the absence of such correction, the relevant Final Terms or these General Terms and Conditions would not represent the intended terms of the Products on which the Products were sold and have since traded; or
- (f) will not materially adversely affect the interests of the Securityholders.

Notwithstanding the above, the Issuer shall at all times be entitled to amend any terms or conditions where, and to the extent, the amendment is necessary as a consequence of legislation, decisions by courts of law, or decisions taken by Governmental Authorities (including, without limitation, any tax ruling of the FTA or the refusal of the FTA to issue a tax ruling in connection with the Securities) in Switzerland or any other jurisdiction.

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

## **19. Governing law and jurisdiction**

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

The exclusive place of jurisdiction for any legal action or dispute relating to the Products 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 Products, if printed, and their subsequent replacement.



## **IV. Selling restrictions**

### **General**

Unless otherwise provided in the relevant Final Terms, no action has been or will be taken that would permit a public offering of the Securities or possession or distribution of any offering material in relation to the Securities in any jurisdiction where action for such purpose is required. Neither the Issuer nor any Agent represents that the Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or has assumed any responsibility for facilitating such sale. No offer, sale or transfer of Securities, or distribution of any offering material relating to the Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or any Agent or the relevant dealer or dealers.

### **United States of America**

The Securities have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and are being sold pursuant to an exemption from the registration requirements of the Securities Act. Trading in the Securities has not been approved by the U.S. Commodity Futures Trading Commission under the Commodity Exchange Act or by the United States Securities and Exchange Commission or any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of the Product Documentation. The Securities (or any rights thereunder) will be offered only outside of the United States and only to, or for the account or benefit of, persons that are not U.S. persons as defined in Regulation S of the Securities Act.

Securities in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Except as permitted, Securities of any series may not be offered, sold or delivered (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the date of issue of the relevant series of Securities and the completion of the distribution of such series as certified to the Principal Paying Agent or the Issuer by the relevant manager within the United States or to, or for the account or of benefit of, U.S. persons, and the Issuer will send to each manager to which it sells Securities of such series during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Securities within the United States or to, or for the account of benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any series of Securities an offer or sale of Securities of such series within the United States by a manager (whether or not participating in the offering of such Securities) may violate the registration requirements of the Securities Act.

Each issuance of Securities linked to currency exchange rates, commodities or precious metals as the Underlying shall be subject to such additional U. S. selling restrictions as the Issuer will agree as a term of the issuance and purchase or, as the case maybe, subscription of such Securities. Any manager will be required to agree that it will offer, sell and deliver such Securities only in compliance with such additional U. S. selling restrictions.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") no offer of the Securities has been or will be made which is the subject of the offering contemplated by these General Terms and Conditions as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of such Securities to the public may be made in that Relevant Member State:

- (a) *Approved prospectus*: if the Final Terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3 (2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3 (2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (d) above shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

In relation to the Securities: (a) any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) in connection with the issue or sale of the Securities may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not or, where applicable, would not if it was not an authorized person, apply to the Issuer, (b) applicable provisions of the FSMA with respect to anything done in relation to the Securities in, from or otherwise involving the United Kingdom, must be complied with; and (c) in the case of Securities that have a maturity of less than one year that are considered deposits under the FSMA, such Securities may only be issued to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Securities would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

### **France**

The Securities may not be offered or sold, directly or indirectly, to the public in France and these General Terms and Conditions, the relevant Final Terms or any other offering material relating to the Securities may not be distributed or caused to be distributed to the public in France and such offers, sales and distributions may be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L.411-2-II, D.321-1, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier.

### **Hong Kong**

The Securities (except for Securities that are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) to be issued under the Product Documentation have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than

(i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the Product Documentation being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No person has issued or had in its possession for the purposes of issue, and no person will issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## Republic of Italy

The offering of the Securities has not been registered with the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of these General Terms and Conditions, the relevant Final Terms or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of these General Terms and Conditions, the relevant Final Terms or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**");
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

*Investors should also note that, in any subsequent distribution of the Securities in the Republic of Italy (with a minimum denomination lower than EUR 100,000 or its equivalent in another currency), Article 100-bis of the Italian Securities Act may require compliance with the law relating to public offers of securities. Furthermore, where the Securities are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of the Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Securities were purchased, unless an exemption provided for under the Italian Securities Act applies.*

## Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "FIEL"). Accordingly, the Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws and regulations of Japan.

## **People's Republic of China**

The Securities may not be offered or sold in the People's Republic of China (which, for such purposes, shall not include Hong Kong, Macau and Taiwan) or to persons who are located in or are residents of the People's Republic of China unless such offer or sale is made in compliance with all applicable laws and regulations of the People's Republic of China.

## **Singapore**

The Product Documentation has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Product Documentation and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant of an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276 (4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276 (7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **Taiwan**

The Securities offered have not been and will not be registered with the Financial Supervisory Commission, and will not be offered, sold or delivered at any time, directly or indirectly, in the Republic of China or to, or for the account or benefit of, any resident of the Republic of China. No person or entity in the Republic of China has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Securities.



## **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 Corporate Center and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading global wealth management business and its premier personal and corporate banking business in Switzerland, complemented by its focused investment bank and global asset manager. 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.

On 31 December 2019, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.7%, the CET1 leverage ratio was 3.90%, the total loss-absorbing capacity ratio was 34.6%, and the total loss-absorbing capacity leverage ratio was 9.8%.<sup>1</sup> On the same date, invested assets stood at USD 3,607 billion, equity attributable to shareholders was USD 54,533 million and market capitalisation was USD 45,661 million. On the same date, UBS employed 68,662 people<sup>2</sup>. This information has been extracted from the UBS fourth quarter 2019 report published on 21 January 2020 (the "**Fourth Quarter 2019 Report**") and therefore it is unaudited and subject to completion of year-end procedures. Refer to section 7.3 "Interim Financial Information" for more information.

On 31 December 2019, UBS AG consolidated CET1 capital ratio was 13.7%, the CET1 leverage ratio was 3.87%, the total loss-absorbing capacity ratio was 33.9%, and the total loss-absorbing capacity leverage ratio was 9.6%.<sup>1</sup> On the same date, invested assets stood at USD 3,607 billion and equity attributable to UBS AG shareholders was USD 53,754 million. On the same date, UBS AG Group employed 47,033 people<sup>2</sup>. For the year ended 31 December 2019, operating income was USD 29,307 million, operating expenses was USD 24,138 million, operating profit / (loss) before tax was USD 5,169 million and net profit / (loss) attributable to shareholders was USD 3,965 million. This information has been extracted from the Fourth Quarter 2019 Report and therefore it is unaudited and it is subject to completion of year-end procedures. Refer to section 7.3 "Interim Financial Information" for more information.

The rating agencies S&P Global Ratings Europe Limited ("Standard & Poor's"), Moody's Deutschland GmbH ("Moody's"), Fitch Ratings Limited ("Fitch Ratings"), and Scope Ratings GmbH ("Scope 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, Standard & Poor's and Scope Ratings 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, long-term issuer default rating of AA- (outlook: stable) from Fitch Ratings and issuer rating of AA- (outlook: stable) from Scope Ratings.

<sup>1</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 2018 and of the Fourth Quarter 2019 Report, as defined herein, for more information.

<sup>2</sup> Full-time equivalents.



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 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 2018.

## 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 a Corporate Center.

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 announced its intention to make 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 2018, 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 2018 published on 15 March 2019 ("Annual Report 2018").

UBS AG's interests in subsidiaries and other entities as of 31 December 2018, 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 2018.

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 Corporate Center**

UBS operates as a group with four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management, and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center 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 2018; a description of the businesses, strategies, clients, organisational structures, products and services of the business divisions and the Corporate Center can also be found in the "Our strategy, business model and environment" section of the Annual Report 2018.

#### *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.

In January 2020, UBS announced an expansion of its collaboration with the Investment Bank and an intention to make its Global Family Office capabilities available to 1,500 clients. Ultra high net worth client relationships and advisors will be integrated into regional business. UBS will also create three distinct business units in EMEA –Europe, Central and Eastern Europe, and Middle East and Africa – to better capture the diverse opportunities in these markets. In the newly established Global Capital Markets team, UBS will combine its Investment Product Services unit and Investment Bank teams. Refer to "Global Wealth Management organization changes" in the "Recent developments" section of the Fourth Quarter 2019 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 the wealth management, investment bank and asset management businesses 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 platform solutions and 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, with a presence grouped in four regions: the Americas; Europe, Middle East and Africa; Switzerland; and Asia Pacific.

### 3.2.4 *Investment Bank*

The Investment Bank provides a range of services to institutional, corporate and wealth management clients to help them raise capital, grow their businesses, invest and manage risks. It is focused on its traditional strengths in advisory, 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 landscape. The Investment Bank delivers solutions to corporate, institutional and wealth management clients, using its intellectual capital and electronic platforms. It also provides services to Global Wealth Management, Personal & Corporate Banking and Asset Management. It has a global reach, with principal offices in all major financial hubs.

UBS made changes to the Investment Bank effective 1 January 2020: Corporate Client Solutions (CCS) and Investor Client Services (ICS) were renamed Global Banking and Global Markets, respectively. Global Banking adopted a global coverage model and will deploy its deep global industry expertise to meet the needs of its most important clients. Global Markets combined Equities and Foreign Exchange, Rates and Credit, and is introducing three product verticals (Execution & Platform, Derivatives & Solutions, and Financing). Research and Evidence Lab Innovations continues to be a critical part of the Investment Bank's advisory and content offering.

### 3.2.5 *Corporate Center*

Corporate Center provides services to the Group through the Corporate Center – Services and Group Treasury units. Corporate Center also includes the Non-core and Legacy Portfolio unit. Corporate Center – Services consists of the Group Chief Operating Officer area (Group Technology, Group Corporate Services, Group Human Resources, Group Operations and Group Sourcing), Group Finance (excluding Group Treasury), Group Legal, Group Risk Control, Communications & Branding, Group Compliance, Regulatory & Governance, and UBS in society. 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 also seeks to optimize financial performance by matching assets and liabilities. Group Treasury serves all business divisions and the other Corporate Center units through three main risk management areas, and its risk management is fully integrated into the Group's risk governance framework. Non-core and Legacy Portfolio manages legacy positions from businesses exited by the Investment Bank. It is overseen by a committee chaired by the Group Chief Risk Officer.

Beginning with the first quarter 2019 report, UBS provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group ALM and Non-core and Legacy



Portfolio. Furthermore, UBS has operationally combined Group Treasury with Group ALM and calls this combined function Group Treasury.

### **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 2018, 2017 and 2016 from the Annual Report 2018, except where noted. The selected consolidated financial information included in the table below for the year ended 31 December 2019 and 31 December 2018 was derived from the Fourth Quarter 2019 Report, which contains selected unaudited interim consolidated financial information of UBS AG.

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. In preparing the unaudited financial information included in the Fourth Quarter 2019 Report, the same accounting policies and methods of computation have been applied as described in the UBS AG consolidated financial statements within the Annual Report 2018, except for the changes described in "Note 1 Basis of accounting" in the "Consolidated financial statements" sections of UBS AG's first, second and third quarter 2019 reports. UBS AG has not finalized its annual report 2019 and its independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the UBS AG financial information available in Fourth Quarter 2019 Report is subject to completion of year-end procedures, which may result in changes to that information.

Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, 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 2018 and the Fourth Quarter 2019 Report are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below.

| USD million, except where indicated           | As of or for the year ended | As of or for the year ended     |          |          |
|---|-----------------------------|---------------------------------|----------|----------|
|   | 31.12.19                    | 31.12.18                        | 31.12.17 | 31.12.16 |
|   | unaudited                   | audited, except where indicated |          |          |
| <b>Results</b>                                |                             |                                 |          |          |
| <b>Income statement</b>                       |                             |                                 |          |          |
| Operating income                              | 29,307                      | 30,642                          | 30,044   | 28,831   |
| Net interest income <sup>1</sup>              | -                           | 5,949                           | 6,607    | 6,457    |
| Net fee and commission income <sup>1</sup>    | -                           | 17,930                          | 17,550   | 16,644   |
| Credit loss (expense) / recovery <sup>1</sup> | -                           | (117)                           | (131)    | (38)     |

|  |         |          |          |                      |
|--|---------|----------|----------|----------------------|
| Other net income from financial instruments measured at fair value through profit or loss <sup>1</sup> | -       | 5,977    | 5,067    | 5,018                |
| Operating expenses   | 24,138  | 25,184   | 24,969   | 24,643               |
| Operating profit / (loss) before tax   | 5,169   | 5,458    | 5,076    | 4,188                |
| Net profit / (loss) attributable to shareholders   | 3,965   | 4,107    | 758      | 3,351                |
| <b>Balance sheet <sup>2</sup></b>  |         |          |          |                      |
| Total assets   | 971,916 | 958,055  | 940,020  | 919,236              |
| Total financial liabilities measured at amortized cost <sup>1</sup>                                    | -       | 612,174  | 660,498  | 612,884              |
| <i>of which: customer deposits <sup>1</sup></i>  | -       | 421,986  | 423,058  | 418,129              |
| <i>of which: debt issued measured at amortized cost <sup>1</sup></i>                                   | -       | 91,245   | 107,458  | 77,617               |
| <i>of which: subordinated debt <sup>1</sup></i>  | -       | 7,511    | 9,217    | 11,352* <sup>3</sup> |
| Total financial liabilities measured at fair value through profit or loss <sup>1</sup>                 | -       | 283,717  | 217,814  | 236,727              |
| <i>of which: debt issued designated at fair value <sup>1</sup></i>                                     | -       | 57,031   | 50,782   | 49,057               |
| Loans and advances to customers <sup>1</sup>   | -       | 321,482  | 328,952  | 300,678              |
| Total equity <sup>1</sup>  | -       | 52,432   | 52,046   | 53,627               |
| Equity attributable to shareholders  | 53,754  | 52,256   | 51,987   | 52,957               |
| <b>Profitability and growth</b>  |         |          |          |                      |
| Return on equity (%) <sup>4</sup>  | 7.4     | 7.9*     | 1.4*     | 6.0*                 |
| Return on tangible equity (%) <sup>5</sup>   | 8.5     | 9.1*     | 1.6*     | 6.9*                 |
| Return on common equity tier 1 capital (%) <sup>6</sup>  | 11.3    | 11.9*    | 2.3*     | 10.2*                |
| Return on risk-weighted assets, gross (%) <sup>7</sup>   | 11.2    | 12.0*    | 12.8*    | 13.1*                |
| Return on leverage ratio denominator, gross (%) <sup>8</sup>   | 3.2     | 3.4*     | 3.4*     | 3.2*                 |
| Cost / income ratio (%) <sup>9</sup>   | 82.1    | 81.9*    | 82.7*    | 85.4*                |
| Net profit growth (%) <sup>10</sup>  | (3.4)   | 441.9*   | (77.4)*  | (48.5)*              |
| <b>Resources</b>   |         |          |          |                      |
| Common equity tier 1 capital <sup>11, 12</sup>   | 35,280  | 34,608   | 34,100*  | 31,879*              |
| Risk-weighted assets <sup>11</sup>   | 257,831 | 262,840* | 242,725* | 219,330*             |
| Common equity tier 1 capital ratio (%) <sup>11</sup>   | 13.7    | 13.2*    | 14.0*    | 14.5*                |
| Going concern capital ratio (%) <sup>11</sup>  | 18.3    | 16.1*    | 15.6*    | 16.3*                |
| Total loss-absorbing capacity ratio (%) <sup>11</sup>  | 33.9    | 31.3*    | 31.4*    | 29.6*                |
| Leverage ratio denominator <sup>11</sup>   | 911,232 | 904,458* | 910,133* | 855,718*             |
| Common equity tier 1 leverage ratio (%) <sup>11</sup>  | 3.87    | 3.83*    | 3.75*    | 3.73*                |
| Going concern leverage ratio (%) <sup>11</sup>   | 5.2     | 4.7*     | 4.2*     | 4.2*                 |
| Total loss-absorbing capacity leverage ratio (%) <sup>11</sup>   | 9.6     | 9.1*     | 8.4*     | 7.6*                 |
| <b>Other</b>   |         |          |          |                      |
| Invested assets (USD billion) <sup>13</sup>  | 3,607   | 3,101    | 3,262    | 2,761                |
| Personnel (full-time equivalents)  | 47,033  | 47,643*  | 46,009*  | 56,208*              |

\* unaudited

<sup>1</sup> The information for the full year 2019 will only be available with the publication of the UBS Group AG and UBS AG annual report 2019 on 28 February 2020.

<sup>2</sup> As reflected in the Annual Report 2018, the balance sheet figures under the column 31.12.2016 are as of 1.1.2017 for comparison purposes due to the adoption of IFRS 9, which was effective 1.1.2018.

<sup>3</sup> This amount has been translated from the audited financials of the Annual Report 2017, which was reported in Swiss francs, into US dollars at closing exchange rates prevailing on the balance sheet date.

<sup>4</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>5</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 with 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>6</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>7</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>8</sup> 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>9</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>10</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>11</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020.

<sup>12</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) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31 December 2016 (CHF 32,447 million) was audited.

<sup>13</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

### 3.4.2 *Business and strategic developments*

#### Sale of majority stake in UBS Fondcenter

UBS has agreed to sell a majority stake in UBS Fondcenter to Clearstream, Deutsche Börse Group's post-trade services provider. UBS will retain a minority (48.8%) shareholding in the business and will enter into an agreement under which it may sell its remaining shareholding to Clearstream at a later date. As part of the transaction, UBS and Clearstream will enter into long-term commercial cooperation arrangements for the provision of services to UBS's Global Wealth Management, Asset Management and the Corporate and Institutional Clients unit of Personal & Corporate Banking. Upon closing of the transaction, UBS Fondcenter will be combined with Clearstream's Fund Desk, creating a top two B2B fund distribution platform with a presence in Europe, Switzerland and Asia. The transaction is subject to customary closing conditions and is expected to close in the second half of 2020. UBS expects to record a post-tax gain of around USD 600 million and an increase in CET1 capital of around USD 400 million upon closing of the transaction. UBS will deconsolidate UBS Fondcenter and account for minority interest as an investment in an associate.

#### Strategic partnership with Banco do Brasil

In November 2019, UBS signed a binding agreement with Banco do Brasil to establish a strategic investment banking partnership that will provide investment banking services and institutional securities brokerage in Brazil and selected countries in South America. By building on the complementary strengths of both firms, UBS and Banco do Brasil believe that the formation of a strategic long-term partnership will create a leading investment bank platform in South America with global coverage.

The partnership is expected to be established through a combination of assets from both stakeholders. UBS intends to contribute its operational investment banking platform in Brazil and Argentina, as well as its institutional brokerage business in Brazil. Banco do Brasil intends to contribute the exclusive access rights to its corporate clients. UBS will hold a controlling interest of 50.01% in the entity and be entitled to 50% of the economic returns, requiring UBS to consolidate it for accounting and regulatory reporting. Closing of the transaction is subject to regulatory approvals and is currently expected in the first half of 2020.

#### Strategic partnership with Sumitomo Mitsui Trust Holdings

In June 2019, UBS entered into a strategic wealth management partnership in Japan with Sumitomo Mitsui Trust Holdings, Inc. ("SuMi Trust Holdings"). In January 2020, the first phase was launched, with operations commencing in the newly established joint venture, UBS SuMi TRUST Wealth Advisory, which is owned equally by UBS Japan Securities and SuMi Trust Holdings and is accounted for as an investment in a joint venture by UBS. UBS and SuMi Trust Holdings have also started offering each other's products and services to their respective current clients.

The second phase of the partnership is expected to launch in 2021 with the establishment of a new entity which will be 51% owned and controlled by UBS, requiring UBS to consolidate this entity for accounting and regulatory reporting.

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

#### Swiss Federal Council adopts new rules on gone concern capital for G-SIBs

In November 2019, the Swiss Federal Council adopted amendments to the Capital Adequacy Ordinance, which became effective 1 January 2020. The revisions introduce gone concern capital requirements for Switzerland-based intermediate parent banks of global systemically important banks ("G-SIBs") on a standalone basis. As a consequence, UBS AG will be subject to (i) a gone concern capital requirement on its third-party exposure on a standalone basis, (ii) an additional gone concern capital buffer requirement equal to 30% of the Group's gone concern capital requirement on UBS AG's consolidated exposure, and (iii) a gone concern capital requirement equal to the nominal value of the gone concern instruments issued by UBS entities and held by the parent bank. A transitional period until 2024 will be granted for the buffer requirement.

Based on current estimates, and once the new requirements have been fully phased in, UBS expects UBS Group to be required to maintain a gone concern leverage ratio of around 75 to 100 basis points higher than what would be required to meet the Group requirements alone. The actual total loss absorbing capital Group requirement at the end of the transition phase will depend on a number of components, including the subsidiaries' loss absorbing capacity at the time.

The revisions also reduced the gone concern requirement of UBS Switzerland AG to 62% of the Group's gone concern requirement (before rebate) and increased the minimum gone concern requirement for the Group (after rebate) from 3% to 3.75% (based on leverage ratio denominator), effective 1 January 2022.

Finally, instruments available to meet gone concern requirements remain eligible until one year before maturity; however, the current haircut of 50% in the last year of eligibility is no longer applied under the revised rules.

#### Swiss Federal Council communicated its intention to bring NSFR into force by mid-2021

Having delayed the introduction of Net Stable Funding Ratio ("NSFR") requirements in Switzerland over the previous two years to align with developments in the EU and the US, the Swiss Federal Council communicated its intention in November 2019 to adopt the associated ordinance amendments in early summer 2020, and bring them into force by mid-2021. The Federal Department of Finance was mandated to finalize the regulatory texts jointly with relevant stakeholders, including affected banks, in the coming months. If implemented as originally proposed in the 2017 consultation, the introduction of NSFR could result in a significant increase in long-term funding requirements on a legal entity level.

### Swiss investor protection rules entered into force

The Financial Services Act ("FinSA") and the Financial Institutions Act ("FinIA"), together with implementing ordinances, entered into force on 1 January 2020. The acts, together with the ordinances, introduce new investor protection rules and new code of conduct provisions for financial services and product providers. The new provisions significantly enhance information and documentation duties. UBS has made changes to its processes and client documentation to comply with FinSA and FinIA and the implementing ordinances.

### Update on the UK's withdrawal from the EU

Based on recent developments, the UK and EU are expected to negotiate the terms of their future relationship during a transition period intended to end 31 December 2020, including the granting of equivalence determinations for the UK under existing EU financial services legislation.

UBS implemented contingency plans through the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE ("UBS ESE") in March 2019.

The European Commission has confirmed an extension of the temporary equivalence for UK central counterparties ("CCPs") until 31 January 2021. Should the UK exit the transition period without the necessary equivalence determination in place, UBS ESE's exposures to UK CCPs would need to be migrated to an EU CCP ahead of the 31 January 2021 deadline. In the absence of an agreement on the future EU-UK relationship or equivalence determinations covering relevant financial services, however, the industry would face a number of market structure issues that await resolution between the UK and EU in 2020, such as the operation of the derivatives and share trading obligations under the EU's Markets in Financial Instruments Directive II.

### Final BEAT tax regulations issued

In December 2019, the US Treasury Department and the Internal Revenue Service issued final regulations regarding the base erosion and anti-abuse tax ("BEAT"). BEAT was introduced as part of the Tax Cuts and Jobs Act of 2017 with the intended purpose of preventing US corporations from unduly reducing their US taxable income through payments to related foreign parties. While generally retaining most features of the proposed regulations issued in December 2018, including those that were considered helpful to foreign banks operating through branches and subsidiaries in the US (such as UBS), the final regulations contain a number of meaningful clarifications and changes. UBS continues to expect to have nil to limited exposure to BEAT for the foreseeable future, primarily because payments that UBS's US branches and subsidiaries make to related parties outside the US are expected to remain below the applicable BEAT thresholds.

### US Securities and Exchange Commission adopts the US security-based swaps regulation

In December 2019, the Securities and Exchange Commission (the "SEC") adopted a package of rule amendments guidance and a related order, to expand and improve the framework for regulating cross-border security-based swaps. The adoption of this package triggers the compliance date for security-based swap entities to register with the SEC and the implementation period for the SEC's securities-based swaps regulations, including its margin, capital, segregation, recordkeeping and reporting, and business conduct requirements. Registration as a securities-based swap dealer will not be required before 1 September 2021. The package modifies certain of the thresholds requiring foreign securities-based swap dealers ("SBSDs") to register with the SEC, allows foreign SBSDs to provisionally register without meeting certain requirements, including the requirement to furnish a

legal opinion on access to information. The SEC also published guidance on the process for obtaining substituted compliance for non-US SBSDs. UBS expects that UBS AG will be required to register as an SBSD.

#### Transition away from IBORs – Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform)

As part of the ongoing efforts by regulators and others to facilitate the transition from interbank offered rates ("IBORs") to new alternative reference rates ("ARR"), the IASB published Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7. The amendments permit hedge accounting to continue during the period of uncertainty before IBORs are replaced with ARRs, limiting the consequential impact on the financial statements. UBS early adopted the amendments in the fourth quarter of 2019 and will provide additional disclosure in its Annual Report 2019.

Refer to the "*Recent developments*" section of the Fourth Quarter 2019 Report, as well as to the "*Regulatory and legal developments*" in the "*Our strategy, business model and environment*" section of the Annual Report 2018 for further information on key accounting, regulatory and legal developments.

### **3.5 Trend Information**

As indicated in the Fourth Quarter 2019 Report, stimulus measures and easing of monetary policy by central banks contributed to a strong performance in financial markets in the fourth quarter and are likely to prevail. A favorable credit environment and a partial resolution of trade disputes should mitigate slowing global economic growth. While the macroeconomic and geopolitical situation remains uncertain, for the first quarter UBS expects more typical seasonality, supporting earnings. Clients are more active, which should lead to an improvement in transaction-related revenues. Higher asset prices should have a positive effect on recurring fee income in UBS's asset gathering businesses. Low and persistently negative interest rates and expectations of continuing easy monetary policy will continue to provide some headwinds to net interest income. As it executes on its strategy, UBS is balancing investments to take advantage of opportunities for growth across its businesses and regions, while managing for efficiency. UBS remains committed to delivering on its financial targets, creating further value through even closer collaboration across all divisions to drive sustainable long-term value for UBS's clients and shareholders.

Refer to "*Our environment*" and "*Risk factors*" in the "*Our strategy, business model and environment*" section of the Annual Report 2018 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

The current members of the BoD are listed below. In addition, the BoD announced it will nominate Nathalie Rachou and Mark Hughes for election to the BoD at the next annual general meeting, and David Sidwell and Isabelle Romy not standing for re-election.

| Member and business address                                       | Title    | Term of office | Current principal activities outside UBS AG   |
|---|----------|----------------|---|
| Axel A. Weber<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich | Chairman | 2020           | Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; 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. |
| David Sidwell   | Vice     | 2020           | Vice Chairman and Senior Independent Director of the Board of Directors of  |

|   |          |      |  |
|---|----------|------|--|
| UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich                            | Chairman |      | UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York.   |
| Jeremy Anderson<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich         | Member   | 2020 | Member of the Board of Directors of UBS Group AG; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.  |
| William C. Dudley<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich       | Member   | 2020 | 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 Group of Thirty; member of the Council on Foreign Relations.; member of the Bretton Woods Committee's Advisory Council.  |
| Reto Francioni<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich      | Member   | 2020 | 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); 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<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich             | Member   | 2020 | Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings; 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; 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. |
| Julie G. Richardson<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich     | Member   | 2020 | Member of the Board of Directors of UBS Group AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee.); board member of Datalog.  |
| Isabelle Romy<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich       | Member   | 2020 | Member of the Board of Directors of UBS Group AG; partner and board member at Froriep Legal AG; professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; board member of Central Real Estate Holding AG (Zurich); board member of Central Real Estate Basel AG; Vice Chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva.  |
| Robert W. Scully<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich        | Member   | 2020 | Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; (chairperson of the audit committee); board member of Zoetis Inc.; board member of KKR & Co Inc.; board member of Teach For All.  |
| Beatrice Weder di Mauro<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich | Member   | 2020 | Member of the Board of Directors of UBS Group AG; 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<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich           | Member   | 2020 | Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S; member of the Berlin Center of Corporate Governance.   |
| Jeanette Wong<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich       | Member   | 2020 | Member of the Board of Directors of UBS Group AG; board member of Essilor International and EssilorLuxottica; board member of Jurong Town Corporation; board member of PSA International; board member of FFMC Holdings Pte. Ltd.; board member of Fullerton Fund Management Company Ltd.; member of the NUS Business School Management Advisory Board; member of the Global Advisory Board, Asia, University of Chicago Booth School of Business; member of the Securities Industry Council.  |

#### 4.1.2 Organisational principles and structure

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

The BoD 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.

#### 4.1.3 *Audit Committee*

The Audit Committee ("AC") consists of five BoD members, all of whom were determined by the BoD to be fully independent. As a group, members of the Audit Committee must have the necessary qualifications and skills to perform all of their duties and together must possess financial literacy and experience in banking and risk management.

The AC itself does not perform audits, but monitors the work of the external auditors who in turn are responsible for auditing UBS AG's consolidated and standalone annual financial statements and for reviewing the quarterly financial statements.

The function of the AC is to serve as an independent and objective body with oversight of: (i) UBS AG's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) UBS AG's compliance with financial reporting requirements, (iv) the executives' approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of Internal Audit in conjunction with the Chairman of the BoD.

Together with the external auditors and Internal Audit, the AC in particular reviews the annual financial statements of UBS AG and, where applicable, the quarterly financial statements as well as the consolidated annual and quarterly financial statements and consolidated annual report of UBS AG, as proposed by management, in order to recommend their approval to the BoD or propose any adjustments the AC considers appropriate.

Periodically, and at least annually, the AC assesses the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner, in order to support the BoD in reaching a decision in relation to the appointment or dismissal of the external auditors and to the rotation of the lead audit partner. The BoD then submits these proposals to the shareholders for approval at the AGM.

The members of the AC are Jeremy Anderson (Chairperson), Isabelle Romy, Beatrice Weder di Mauro, Dieter Wemmer and Jeanette Wong.

## 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*

| <b>Member and business address</b>          | <b>Function</b>                  | <b>Current principal activities outside UBS AG</b>  |
|---|----------------------------------|---|
| Sergio P. Ermotti<br>UBS AG, Bahnhofstrasse | 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; Chairman of the Fondazione Ermotti, Lugano; board member of the Swiss- |

|   |  |   |
|---|--|---|
| 45, CH-8001 Zurich  |  | 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<br><br>UBS AG, Bahnhofstrasse<br>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<br><br>UBS AG, Bahnhofstrasse<br>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<br><br>UBS AG, Bahnhofstrasse<br>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<br><br>UBS AG, 1285 Avenue of<br>the Americas, New York,<br>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 UBS Optimus Foundation Board.  |
| Robert Karofsky<br><br>UBS AG, 1285 Avenue of<br>the Americas, New York,<br>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<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich                   | Chief Operating Officer and<br>President UBS Europe, Middle<br>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<br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich                                | Co-President Global Wealth<br>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<br><br>UBS AG, One Raffles<br>Quay North Tower,<br>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 Ministry of Finance's Committee on the Future Economy Sub-Committees; 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.                          |
| Tom Naratil<br><br>UBS AG, 1285 Avenue of<br>the Americas, New York,<br>NY 10019 USA      | Co-President Global Wealth<br>Management and President UBS<br>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<br><br>UBS AG, Bahnhofstrasse<br>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<br><br>UBS AG, Bahnhofstrasse<br>45, CH-8001 Zurich                         | Chief Compliance and<br>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 2 March 2017, 26 April 2018 and 18 April 2019, 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 2018 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2018 and in the UBS AG's standalone financial statements for the year ended 31 December 2018 (the "Standalone Financial Statements 2018"), respectively; and for financial year 2017 it is available in the "*Consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2017, published on 9 March 2018 ("Annual Report 2017") and in the UBS AG's standalone financial statements for the year ended 31 December 2017 (the "Standalone Financial Statements 2017"). The consolidated and standalone financial accounts are closed on 31 December of each year.

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).

With respect to the financial year 2017, reference is made to:

- (i) the following parts of the Annual Report 2017: the UBS AG consolidated financial statements, in particular to the Income statement on page 470, the Balance sheet on page 473, the Statement of changes in equity on pages 474-477 (inclusive), the Statement of cash flows on pages 479-480 (inclusive) and the Notes to the consolidated financial statements on pages 481-622 (inclusive); and
- (ii) the following parts of the Standalone Financial Statements 2017: the Income statement on page 1, the Balance sheet on pages 2-3, the Statement of appropriation of retained earnings and proposed dividend distribution on page 4, and the Notes to the UBS AG standalone financial statements on pages 5-22 (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 Corporate Center. 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 2018 and 2017 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 514-523 (inclusive) of the Annual Report 2018 and on pages 464-469 (inclusive) of the Annual Report 2017. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 29-33 (inclusive) of the Standalone Financial Statements 2018 and on pages 23-26 (inclusive) of the Standalone Financial Statements 2017.

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 2018 and 31 December 2017, which are incorporated by reference into this document.

## **7.3 Interim Financial Information**

Reference is also made to (i) the UBS Group AG first quarter 2019 report published on 25 April 2019 ("UBS Group First Quarter 2019 Report"), and the UBS AG first quarter 2019 report published on 30 April 2019 ("UBS AG First Quarter 2019 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 2019; to (ii) the UBS Group AG second quarter 2019 report published on 23 July 2019 ("UBS Group Second Quarter 2019 Report") and the UBS AG second quarter 2019 report, published on 26 July 2019 ("UBS AG Second Quarter 2019 Report"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2019; to (iii) the UBS Group AG third quarter 2019 report published on 22 October 2019 ("UBS Group Third Quarter 2019 Report") and the UBS AG third quarter 2019 report, published on 25 October 2019 ("UBS AG Third Quarter 2019 Report"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 September 2019; and to (iv) the Fourth Quarter 2019 Report, which contains information on the financial condition and results of operations of UBS Group AG and of UBS AG, as of and for the quarter and the period ended 31 December 2019.

The interim consolidated financial statements of UBS Group AG and UBS AG, contained in the first, second and third quarter 2019 financial reports of UBS Group AG and UBS AG, respectively, and the interim consolidated financial information contained in the Fourth Quarter 2019 Report are not audited and no review report is published. UBS Group has not finalized its annual report 2019 and its independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the consolidated financial information contained in the Fourth Quarter 2019 Report is subject to completion of year-end procedures, which may result in changes to that information.

## **7.4 Incorporation by Reference**

The Annual Report 2018, the Standalone Financial Statements 2018, the Annual Report 2017, the Standalone Financial Statements 2017, the UBS Group First Quarter 2019 Report, the UBS AG First Quarter 2019 Report, the UBS Group Second Quarter 2019 Report, the UBS AG Second Quarter 2019 Report, the UBS Group Third Quarter 2019 Report, the UBS AG Third Quarter 2019 Report

and the Fourth Quarter 2019 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 the "Provisions" table in the "Provisions and contingent liabilities" section of the Fourth Quarter 2019 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 Fourth Quarter 2019 Report.

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

| <i>USD million</i>  | <b>Global<br/>Wealth<br/>Manage-<br/>ment</b> | <b>Personal<br/>&amp;<br/>Corporate<br/>Banking</b> | <b>Asset<br/>Manage-<br/>ment</b> | <b>Investme<br/>nt Bank</b> | <b>Corporat<br/>e Center</b> | <b>UBS</b>   |
|---|---|---|-----------------------------------|-----------------------------|------------------------------|--------------|
| <b>Balance as of 31 December 2018</b>                     | 1,003   | 117   | 0                                 | 269                         | 1,438                        | 2,827        |
| <b>Balance as of 30 September 2019</b>                    | 867   | 110   | 0                                 | 197                         | 1,329                        | 2,503        |
| Increase in provisions recognized in the income statement | 64  | 0   | 0                                 | 57                          | 10                           | <b>131</b>   |
| Release of provisions recognized in the income statement  | (17)  | 0   | 0                                 | (3)                         | (6)                          | <b>(25)</b>  |
| Provisions used in conformity with designated purpose     | (147)   | 0   | 0                                 | 0                           | (9)                          | <b>(156)</b> |
| Foreign currency translation / unwind of discount         | 14  | 3   | 0                                 | 3                           | 1                            | <b>22</b>    |
| <b>Balance as of 31 December 2019</b>                     | <b>782</b>                                    | <b>113</b>  | <b>0</b>                          | <b>255</b>                  | <b>1,325</b>                 | <b>2,475</b> |

<sup>1</sup> Provisions, if any, for matters described in this section are recorded in Global Wealth Management (item 3, item 4 and item 7) and Corporate Center (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 Corporate Center.

## 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. The trial in the Court of Appeal is scheduled for June 2020. 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 December 2019 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 505 million at 31 December 2019). 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 December 2019 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 December 2019 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. A subsidiary of UBS, UBS Real Estate Securities Inc. ("UBS RESI"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totalled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008 and securitized less than half of these loans.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, 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 with an original principal balance of approximately USD 2 billion. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. In January 2020 the settlement was approved by the court. Proceedings to determine how the settlement funds will be distributed to RMBS holders are ongoing. After giving effect to this settlement, 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 December 2019 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. The BMIS Trustee appealed. 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 that 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 2.4 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, two US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and seven other underwriters of Puerto Rico municipal bonds, alleging an aggregate of USD 720 million in damages from the defendants. The plaintiffs 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 December 2019 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. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission ("CFTC") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division terminated the 2012 non-prosecution agreement with UBS AG related to UBS's submissions of benchmark interest rates, and UBS AG pleaded guilty to one count of wire fraud, paid a fine and was subject to probation, which ended in early January 2020. In 2019 the European Commission announced two decisions with respect to foreign exchange trading. UBS was granted immunity by the European Commission in these matters and therefore was not fined. UBS has ongoing obligations to cooperate with these 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.

*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 is subject to approval by the court. 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 on 30 August 2019.

*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 courts in the EURIBOR lawsuit dismissed the cases 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 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 the SIBOR / SOR action have appealed the dismissal. 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. 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.

*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.

UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 31 December 2019 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 December 2019 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.

#### 7. Securities transaction pricing and disclosure

UBS identified and reported to the relevant authorities instances in which some Global Wealth Management clients booked in Hong Kong and Singapore may have been charged inappropriate spreads on debt securities transactions between 2008 and 2015. In November 2019, UBS AG entered into a settlement with the Hong Kong Securities and Futures Commission ("SFC") under which it was reprimanded and fined HKD 400 million (USD 51 million) and a settlement with the Monetary Authority of Singapore (MAS) under which it was fined SGD 11 million (USD 8.3 million). In addition, UBS has commenced reimbursing affected customers an aggregate amount equivalent to USD 47 million, including interest.

UBS's balance sheet at 31 December 2019 reflected a provision with respect to the matter described in this item 7 in an amount that UBS believes to be appropriate under the applicable accounting standard.

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 December 2019.

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 2018.



## 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.

## 10. Documents Available

- The full annual report of UBS Group AG and UBS AG as of 31 December 2017;
- The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2017 (including the "Report of the statutory auditor on the financial statements");
- The full annual report of UBS Group AG and UBS AG as of 31 December 2018;
- The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2018 (including the "Report of the statutory auditor on the financial statements");
- The UBS Group First Quarter 2019 Report and the UBS AG First Quarter 2019 Report;
- The UBS Group Second Quarter 2019 Report and the UBS AG Second Quarter 2019 Report;
- The UBS Group Third Quarter 2019 Report and the UBS AG Third Quarter 2019 Report;
- The Fourth Quarter 2019 Report; and
- The most recent Articles of Association of UBS AG,

shall be maintained in printed format, for free distribution, at the offices of UBS AG for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports, as well as quarterly result materials of UBS Group AG and UBS AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address. The Articles of Association of UBS AG are also available on UBS's Corporate Governance website, at [www.ubs.com/governance](http://www.ubs.com/governance).

The most recent Articles of Association of UBS AG are available on UBS's Corporate Governance website, at [www.ubs.com/governance](http://www.ubs.com/governance). Save as otherwise indicated herein, information on or accessible through the Group's corporate website, [www.ubs.com](http://www.ubs.com), does not form part of and is not incorporated into this document.